ESTABLISHED 1887

Compromise Report Issued by Bishops, Welcomed by Pope

By Kenneth A. Briggs
New York Times Service ROME - Roman Catholic bishyes, ending deliberations at a two-veck synod here, have called for neasures to help remedy problems hat have arisen since the Second

The report, welcomed by Pope ohn Paul II, balances liberal and raditionalist themes that have neen in contention during the syn-id. The outcome of the drive by the rishops to make the report public in Oh, and been unclear until an an-nouncement by the pope on Saturiay that it would be published.

The report, scheduled for release Vionday, was to be issued separate-y from a pastoral message that the ynod approved on Friday.

Church officials said the decision

o release the document was a vic-- o express independent views. Opconents of the move said that the mly function of synods was to adwise the pope and that their docu-nent should be for his eyes only. The summary report, prepared by Cardinal Godfried Danneels of Selgium, includes a call for further andy of local conferences of bishps and a new universal catechism schurch doctrine and morals. It

ilso endorses ecumenism and adrocates social justice. In the report, known as the "rela-io," the bishops reviewed several concerns that have arisen in the 20 rears since Vatican II overhauled najor areas of belief and practice. Among the issues raised by conervatives were the need for ending what it called abuses in liturgy and heology, infusing a greater sense
if "mystery" into the church and
estoring authority in the highest
evels of church hierarchy, center-

ng on the pope.

At the same time, liberals emation making at the local level and ac-GA (NTEX septing theological diversity and

New permess to changes in church dishe document would be made pubic came in a speech to the synod's inal session, in which he said that Roman Catholics should pursue he opening to the modern world ishered in by Vatican II. But in a arefully balanced address, the NEW ope also urged the church "to vercome any false interpretaions" of Vatican IL

Recent synods have given their conclusions to the pope for his pri-Atte review. But there was strong
MERCES sentiment for making the results of
CRUSA - This session public among bishops vho favor a greater voice for the

By making clear their intentions, he bishops were credited with giv-ng added credibility to the synods, which came into existence as a re-NASSAR Doubt of Vatican II, and enhancing he bishops' role in the exercise of hurch authority.

"It represents the maturing of he synod as a body which is able to rrive at a useful consensus in the ge Sishops' agreement with one anther and with the pope," said Rusell Shaw of Washington, spokes-nan for the bishops in the United itates. "And they feel perfectly omfortable in letting the world mow what they think."

The report travels a careful path FOR through issues of importance to oth liberals and conservatives and CLASS ets forth suggestions that could rovide both debate and an agenda or the church for years to come.

One example of compromise is ne request for a new catechism, a et of theological and moral guideooks, to be prepared by the Vati-an. There has been no churchwide atechism since Vatican II and lopi bishops' conferences have for-

inlated their own.
While the report backs the basi-

formity, it recommends such mateused by local bishops' conferences to write their own teaching aides.

The report says a new compendium of theological principles, based on the teachings of Vancan II, should be "biblical, liturgical, and at one and the same time a presentation of sound doctrine in a form accommodated to the contemporary life of Christians?

The section on bishops' conferences accedes to the liberal stance that such local bodies make a valuable contribution to the church. But it makes a concession to conservatives who question the legitimacy of conferences in church law and fear that, in some cases, they might encroach on the authority of the pope and the Roman Curia, the rch's central administration. "Because episcopal conferences are so useful and necessary in the

(Continued on Page 2, Col. 3)



Blacks Make Show of Force at Funeral

A marcher holds aloft a wooden model of an AK-47 rifle as a buried after a mass funeral in Queenstown in eastern Cape symbol of warfare against the South African government as province. A speaker at the funeral threatened that "people's pallbearers carry the coffin of one of 11 victims of black unrest committees" were forming to attack in white areas. Page 2.

U.S. Budget Bill Would Force Shift in Policy, Politics

By Jonathan Fuerbringer New York Times Service

WASHINGTON — A newly approved compromise to require a balanced federal budget by 1991 would radically change the policy goals and political stakes in coming budget battles between the White House and Congress, several lawmakers said.

Top negotiators in the Senate and House of Representatives reached an "agreement in principle" on the proposal on Friday after a deadlock of nearly two months. They said the full House-Senate conference committee and Congress were expected to approve the

"We are on the threshold of a whole different approach to dealing with the budget," said Representative Leon E. Panetta, a California Democrat who participated in House-

The plan calls for steadily declining annual ceilings on deficits, with automatic spending cuts set off when the ceilings are exceeded. The ceilings would start at \$171.9 billion in the current 1986 fiscal year, drop to \$144 billion in 1987, and decline to zero by 1991.

The 1986 deficit is forecast to be at least \$200 billion, and under current policy would fall to about \$120 billion by 1990. Supporters said they hoped that the threat of automatic cuts would prod the White House and Congress to agree to compromise their goals enough to reduce the deficit.

Some lawmakers said Saturday that the balanced-budget legislation could delay Congress work on separate legislation to make spending cuts of about \$55.5 billion

the Reagan administration would support it fiscal year, which began Oct. 1. But if Con-balanced-budget bill for fiscal 1987 would be would depend on several undecided details. gress does not act on its own to meet that that much larger. ceiling, the measure limits any automatic ing cuts, due March 1, to \$11.7 billion. Mr. Panetta said Saturday that because

> session next week, they might give up trying to find \$55.5 billion in savings and simply take the \$11.7-billion cut. Another factor that might discourage Congress from making those cuts now is a

the House and Senate may try to finish their

threatened veto by President Ronald Rea-gan. The House and Senate versions of the deficit-reduction bill would permanently extend the cigarette tax of 16 cents a pack, which had been scheduled to revert to 8 cents. Mr. Reagan's advisers are said to view this as a form of tax increase. "I think it's a real problem," Mr. Panetta

Senate negotiations on the measure.

The White House called the agreement "a promised in its budget resolution for 1986.

The White House called the agreement "a Passed in Angust, that measure sets a approved by year's end, he said, cuts needed positive step," but said a decision on whether deficit ceiling of \$171.9 billion for the 1986 to reach the \$144-billion ceiling set by the

Some important details of the balanced-adget legislation remain to be resolved

Monday, when the full House-Senate conference is scheduled to vote on the plan.

One issue is how much discretion to give the president in deciding what military programs to cut if automatic cuts are needed. Another is whether programs that Congress had already moved to trim should be subject to automatic cuts.

The constitutionality of the measure cannot be resolved until after it is signed. Most of the negotiators agree that this is an open

One key concern is the legality of using the Congressional Budget Office, the White House's Office of Management and Budget and Congress' General Accounting Office to determine whether the deficit ceiling has (Continued on Page 3, Col. 1)

2 Explosions Injure 39 in **Paris Stores**

By Judith Miller New York Times Service

PARIS - Bomb explosions in two department stores injured 39 persons, 14 of them seriously, offi-

cials said Sunday. The explosions occurred within minutes of each other Saturday at the Galeries Lafavette and Printemps department stores. The stores are almost adjacent to each other on Rouleward Haussmann in the ninth district of Paris, one of the busiest commercial sections.

Three groups claimed responsibility for the explosions but police treated the claims with skepticism. The explosive devices used led

police to speculate that the blasts were the work of a disgruntled or unstable individual rather than of an extremist political group. The first claim of responsibility

was by an anonymous caller to a French news agency who said that the explosions had been set by the Palestine Liberation Front. a breakaway faction of the Palestine Responsibility for the explosions

was also claimed by the Islamic Jihad and a third caller who claimed to be speaking on behalf of the Armenian Secret Army for the Liberation of Armenia.

Paris firemen help one of the 39 victims of two explosions. At least 14 persons were injured seriously in the blasts.

sophisticated bombs normally used terrorist groups. He said that those used Saturday consisted of linked to a small explosive, perhaps a firecracker, connected to a drum of an inflammable substance.

Fourteen people remained hos-pitalized Sunday, 12 of them with serious burns.

The bombings were the latest in a series of explosions in Belgium

diary devices were believed to have manist Cells claimed responsibility on Saturday for bombings Friday The spokesman said that no evi- at installations of the North Atlandence had been uncovered of the tic Treaty Organization in Belgium and France.

A 23-year-old law student was killed Friday when a bomb went incendiaries with a timing system off at the courthouse in Liège. Belgium. No one has claimed responsi-bility for that attack.

In December 1978, a bomb ex-An Interior Ministry spokesman and France. The extreme leftist owned store on Boulevard Has said that crude home-made incen-group known as the Fighting Commann, killed one person.

Haziness of Detail Clouds U.S. Plan on World Debt

By Carl Gewirtz nal Herald Tribune

U.S. initiative on the world debt crisis, has been slow to move off the

drawing board.
The plan, put forward by Treasury Secretary James A. Baker 3d n early October, was presented as calling on commercial banks to lead \$20 billion over three years for the 15 most heavily indebted developing countries, and for the World Bank to lend an additional \$9 bil-

ity was all that was needed

od is not the end of the tur

And the 15 countries are really ploded in another department not 15, but as many of the debtor store, the Bazar de l'Hotel de Ville, states as are willing to adopt dokilling one person and injuring mestic adjustment programs that eight. Last February, an explosion the World Bank and International at Marks & Spencer, a British- Monetary Fund endorse as setting owned store on Boulevard Hauss- the framework for a long-term so-

In other words, the Baker plan seeks only to establish a strategy PARIS - The Baker plan, the whereby the global community works together to finance economic development. In this way, the debtors will have the room to adjust

NEWS ANALYSIS

domestic policies in a way that sets them on the path to export-orient-

ed growth.
This, in turn, is meant to result in financial rehabilitation. What it takes to put the strategy into action has yet to be defined. Within this long-term strategy.

the \$20 billion over three years the from commercial banks is really just a first stage. Most likely it is a prelude needed to persuade reluctant legislative bodies, particularly the U.S. Congress, that the banks are not being bailed out of their troubles. Such a realization would pave

the way to approval for an increase in the capital of the World Bank as well as the resources of the credit export agencies of the major industrialized countries. "I have the impression that we

have tried to read too much into the overture, whereas the real action only starts once the opera begins,' a European banker observed.

perts at the World Bank, the Inter-

MANILA - Moves to unify the Mr. Laurel said after his press conference that "the door is open any time" to Mrs. Aquino but only if she agrees to run as vice president on his ticket. Mrs. Aquino has said Philippine opposition to President Ferdinand E. Marcos for a scheduled presidential election in Febru-

minute dispute on the One Laurel supporter noted that the two sides had until Wednesday

senator, said at a news conference packed with his supporters that he still was a candidate for president An opposition lawyer, Rene Saguisag, said that even if unity is eventually achieved, some damage

(Continued on Page 2, Col. 6)

Sakharov Is Healthy

Political analysts say that a di-vided opposition has little chance of defeating Mr. Marcos in the

Mr. Laurel and Mrs. Aquino had been expected to announce a joint presidential ticket Sunday in which Mrs. Againo would run as president and Mr. Laurel would set aside his long-held ambitions by accepting the vice-presidential can-

Marcos Foes

Falter in Bid

By William Branigan

Vashingtan Post Service

ary fell apart Sunday amid a last-

announcement of a single opposi-

Salvador H. Laurel, a former

against Mr. Marcos in the election

He said he had rejected an offer to run for vice president under Cor-

aton C. Aquino because she re-fused to join his political party. However, supporters of both Mr. Lauret and Mrs. Aquino held out the possibility that unity still might

be achieved after further negotia-

set for Feb. 7.

For Joint Ticket

He heads the United Nationalist Democratic Organization, known as Unido, which he described as the largest and most organized opsition political party in the coun-

Mrs. Aquino, the widow of the assassinated opposition leader Benigno S. Aquino Jr., was drafted last week as the presidential candidate of a newly formed coalition after supporters gathered 1.2 million signatures on a petition urging ner to run.

Mr. Laurei said that he had accepted Mrs. Aquino's offer to run as her vice-presidential running mate and that on Thursday she had accepted his demand that she join his party. But Mr. Laurel said Mrs. Againo changed her mind "for rea-sons undisclosed" on Sunday

"This sudden and unexpected refusal on her part to run as the Unido candidate leaves me no choice now but to decline her offer Laurel said as his supporters cheered. "I can sacrifice myseli, I can sacrifice the presidency, but I cannot sacrifice my party and my

Mr. Lanrel added that he would file his candidacy for president formally on Monday.

Later, at a news conference, Mrs. Aquino disputed Mr. Laurel's version of events. She denied having agreed to run as a candidate of Mr. aurel's party and insisted that Mr. Laurel had accepted her desire to represent a newly formed coalition. called Laban ng Bayan, meaning "People's Struggle." She offered a compromise in which an Aquino-Laurel ticket would be registered under "a grand new coalition to be called Unido-Laban ng Bayan."

However, the Laurel camp promptly rejected the compromise Sunday at a meeting with Aquino supporters at Mr. Laurel's house, e of his aides said.

A new coalition "is not going to be acceptable," said Luis Villafuerte, a Unido member of parlia-Although the issue of party affili-

ation struck some Philippine ob-The \$20 billion, according to ex- servers as a minor one, the mutual suspicion and distrust evident in national Monetary Fund and the both camps raised fears that the rift major commercial banks, is less would not be resolved. Politicians (Continued on Page 10, Col. 1) on each side suggested that the oth-

she will run only for president.

to reach an agreement.

Tass Reports

By Celestine Bohlen Washington Post Service MOSCOW -- The Soviet news

ency Tass has reported that Andrei D. Sakharov, the exiled dissident, was aging, but in good health, contrary to "blasphemous political speculation" being spread by Westem journalists.

In a report clearly designed to counter renewed pessimism about Mr. Sakharov's condition, Tass said Saturday that the 64-year-old physicist had recently undergone a medical checkup that showed "no negative dynamics in state of

The medical report, filed by doctors in Gorki where Mr. Sakharov was banished almost six years ago, did reveal "deviations from the norm caused by aging," Tass said. It said that as a consequence, Mr. Sakharov was following a regimen of "preventative medical therapy

at an outpatient clinic. The report on Mr. Sakharov's health broke an 18-month official silence on the 1975 Nobel Peace Prize winner whose exile in Gerki has become the most commonly cited example in the West of Soviet

violations of human rights. The timing was dictated by re-ports about Mr. Sakharov's weakened state that have appeared since went to the West on Monday to

seek medical treatment. Mrs. Bonner, now in Boston where members of her family live. has held to the pledge of silence that she said was a condition of the Soviet decision to grant her a 90-

day exit visa. But her relatives, and others active on Mr. Sakharov's behalf, bave stated publicly that Mr. Sakharov has been severely affected by his repeated hunger strikes and that he is not able to get adequate medical

In the report published Saturday, Tass accused journalists and politicos" in the West of spreadne rumors that Mr. Sakharov's alth was declining. "One gets the impression that

some of them and those who stand shind them would prefer the state of health of Sakharov to be poor, or better still, to become very poor. Tass said

Mr. Sakharov, who still holds membership in the Soviet Academy of Sciences, was exiled to Gorki 250 miles (400 kilometers) east of Moscow, in January 1980 without ever having been charged, convicted or sentenced. The banishment of Mr. Sakharov occurred during the last stages of a systematic eradication by Soviet authorities of the (Continued on Page 6, Col. 3)

In Kampala, Signs of War Are Everywhere

By Edward A. Gargan

New York Times Service KAMPALA, Uganda — There was laughter nd dancing Saturday night at the Hotel Diplotrucks with bodies returning from the front rifles, and in the distance the rumble of tillery could be heard.

The signs of war are everywhere, at road-ocks manned by armed men in tage.

suiforms, in the anti-aircraft guns aimed sky-and from hilltops, in trucks loaded with sol-ers hurding through the capital over runted After nearly two decades of political oppres-on, religious strife and untold atrocities and of he government, a coalition of ethnic and political particle and part ad Porsche of al groups largely from the north, is on one

-my, made up predominantly of people from withern tribes who have been oppressed by ccessive Ugandan leaders. Schooling has ound to a halt in most parts of the country. ices of everything, from bananas to gasoline, ve rocketed. Hospitals have no medicine. Robbers, often dressed in khaki and carrying lashmikov automatic rifles, loot houses and

al cars with increasing frequency. Kampala

all has been hewn into four parts with private

equipped and disciplined rebel army is pushing veni has the capability to mount a good large to the outskirts of the capital.

strike," a diplomat said. "He has the capability. to the outskirts of the capital.

On Saturday, heavy fighting took place less than seven miles (11 kilometers) from Kampala security forces."

The rebels have 'the capability to panic and empty the city of the government's security forces,' a diplomat said.

Residents of Nansana, four miles to the north, fled as the fighting drew near.

"It's fairly desperate," said a Western diplomat. "This is a country that is effectively back to a subsistence economy."

For the last four months, the government has

been seeking a negotiated settlement with the National Resistance Army, the guerrilla movement led by Yoweri Museveni, which has occupied the southern and western parts of Uganda and has established what if describes as an "interim administration" in the areas it con-

Many people say they believe that if the talks between the two sides in Nairobi break down, 'litias occupying each quarter. A well- the rebels will try to capture Kampala. "Muse-

to panic and empty the city of the government's

The current confrontation, at the bargaining table in Nairobi and on the battlefield just down the road from Kampela, has roots both in the brutalities of prior governments and in the his-torical tensions between the country's disparate ethnic groups, according to Ugandans and Western observers alike.

"Ever since 1964, Uganda's government has been dominated by the military," said Sam Katwere, the managing editor of the Independent Star newspaper. "Domination by the military has meant domination by the north."

Many people described Uganda's upheaval as a final desperate response by the southern Bantu tribes, principally the Buganda people, to a history of harsh exploitation by northern tribes, represented by Milton Obote and Idi Amin. Mr. Katwere said that Mr. Obote's government also was resented because of his exacerbation of tensions between Protestants and Catholics. His administration was made up almost exclusively

of Protestant officials. "Religion is very important when we have stable politics," Mr. Katwere said. "But now, when it is a question of life and death, it is primarily tribal divisions. Museveni has ceased to be Museveni the person. He has become a

(Confinsed on Page 2, Col. 3)

Acclaimed for its political commitment to sponsoring a policy of adjustment through growth, the plan was an about-face for the Reanistration, which until then had insisted that more auster-

But the details about the plan have turned out to be a lot less solid than the commercial banks expect-The \$20 billion is only an ap-

proximate figure, not the absolute ceiling that many banks thought they had heard; the three-year periwhich more likely will take another decade to reach.

INSIDE

Seven South Asian nations formed an association for re-gional cooperation. Page 2.

Nicaragua's president declared that other rebel forces in the region could obtain antiaircraft missiles. ■ The State Department tight-ened rules for travel for diplomais from four Warsaw Pact

BUSINESS/FINANCE ■ The Federal Reserve Board proposed curbs on a device used in takeovers.

Page 6

■ Martina Navratilova beat Chris Evert Lloyd to win her third Australian Open women's Page 21 singles title. E Tailback Bo Jackson of Au-

PERSONAL INVESTING. Concern over the vitality of the

European markets occupies in-

vestors preparing portfolios for

burn received the Heisman Tro-

phy as U.S. college football's

Robert Graves, Author Of 'I, Claudius,' Dies

By Wolfgang Saxon New York Times Service

NEW YORK - Robert Graves, the English poet and classical scholar, died Saturday at his home in Deya, a fishing village on the island of Majorca. He was 90 years old and had been living in seclusion since failing health stayed his pen about 10 years ago.

He was buried later in the day with his family and neighbors in atten-

out a traditional song of mourning.

Robert Graves was an enormously prolific and astonishingly versatile writer. Best known for such prose works as "I, Claudius"

and "The White Goddess," he was first and foremost a poet.

the show dogs I breed and sell to support my cat."

His range of subject matter was staggering. Prehistoric Greece, imperial Rome, Cromwellian England, revolutionary America, the Spain of the conquistadors and Lawrence of Arabia were among his chosen topics. He also translated works from Greek, Latin, French, German and Spanish and Church bells on the island rang offered his opinions on everything from mushrooms to myths.

The ideas he propounded often bore the mark of dazzling scholarship, but they inevitably raised the The local parish priest, the Rev- hackles of scholars in one quarter erend Ignacio Montojo, said that or another. He concluded from his Mr. Graves, an Anglican, had wished to be buried in the village. crucifixion, that the Emperor Clan-more than 130 volumes of poetry, ristrator rather than a tyrant. and that Homer probably did not write the "Odyssey."

A gregarious, strong-bodied man, Mr. Graves chose to live sim-He regarded his other writings as ply and freely, away from the stress the means of supporting that voca- of modern society. Writing, he said, tion. "Prose books," he said, "are was his compulsion: he produced



Robert Graves

dius was a mild man and a good fiction, essays, criticism and lec-

His works spanned more than half a century, and Mr. Graves was an author to be reckoned with for most of that time. Attacks on his unorthodox theories notwithstanding, there were few who would not

(Configued on Page 7, Col. 5)

Black Militants Make Show of Force at Tense Johannesburg Funeral

By Allister Sparks
Washington Post Service
JOHANNESBURG — Uniformed militants brandished wooden models of AK-47 rifles as blacks threatened at another emotioncharged funeral rally to attack white areas in South Africa.

The funeral for 11 blacks killed in a clash with police three weeks.

2 Kidnapped In Beirut at U.S. University

Compiled by Our Staff From Dispatches BEIRUT - Two Lebanese faculty members of the American University of Beirut were kidnapped by gunmen Sunday morning near the campus in West Beirut.

A police spokesman said con-tacts were underway with Moslem militias in a effort to gain the re-lease of Joseph Salameh, an economist at the university, and Munir maa, a medical specialist at the university hospital.

The U.S. director of the universi-

ty. David Jacobsen was kidnapped in May, and its dean of agriculture, Thomas Sutherland, was kid-napped in June. Their abductors are believed to be the Moslem fundamentalists holding at least two other Americans. The university's

librarian, Peter Kilburn, was kid-napped in November 1984. The kidnapping of the two teach-ers came one day after unidentified gunnen seized two Finnish soldiers in West Beirut, demanding an ex-change for two Shiite Moslem bank robbers captured by the army in a shootout hours earlier.

The two Finns, members of a UN peacekeeping force based in southern Lebanon, were freed un-harmed eight hours later with the help of the Shiite Moslem Amal militia and the army. The two bank robbers were still in detention, po-

Nabih Berri, the Amal leader, said Saturday he would resume his efforts to gain the release of West-ern hostages held in Lebanon, in particular two Frenchmen, Jean-Paul Kauffmann, a journalist, and

Michel Seurat, a sociologist. He said he hoped to succeed by

Tony Abi Ghanem, an Amal militant arrested in southern Lebanon last year, was released from an Israeli prison Thursday and Mr. Berri "sincerely thanked" France for its "determining role." (UPI, AFP)

ago in the eastern Cape province town of Queenstown was marked Saturday by one of the most open displays of black militancy yet seen in South Africa. Flags of the underground African National Congress were displayed and songs praised its guernila wing.

After the funeral, black priests defused a tense confrontation between armed policemen and a crowd of about 20,000.

As the crowd moved away from the graveyard, it was confronted by policemen in three armored personnel carriers. Another bloody clash seemed imminent until 18 priests in cassocks stepped out from the crowd and walked up to the police vehicles.

After negotiations, the police greed to allow the crowd to leave the cemetery if it dispersed peace-

One speaker, Stone Sizane, publicity secretary for the activist United Democratic Front, referred to the 11 dead as amabutho, a Xhosa. word that means fighters.

Accusing the government of dis-arming the black people, then bringing in its security forces to shoot them, Mr. Sizane said: Enough is enough. Now is the

most effective, not only in the black

The Nov. 17 "Queenstown massacre," as speakers at the funeral called it, was the third mass killing by the police in South Africa this r: 20 blacks were shot to death in Langa township outside Uiten-hage on March 22, and 13 were killed in Mamelodi township outside Pretoria on Nov. 21.

■ Land Mine Wounds 8

A land mine exploded Sunday outside a post office in a white industrial section of Durban, wounding eight persons, The Associated Press reported.

Police at headquarters in Pretoria said three Indian adults, three Indian children and two white po-licemen were injured slightly by world with no association for reflying glass.

A police spokesman in Durban said the explosion was caused by a limpet mine, which can be detonated by a timing device. There was no claim of responsibility.

In another development, Winnie Mandela, wife of the imprisoned leader of the banned African Na-tional Congress, Nelson Mandela, left a Johannesburg clinic after a four-day stay to recover from exhaustion and hypertension, a spokesman at the chnic said.



Left to right, President Mohammed Zia ul-Haq of Pakistan, King Birendra bir Bikram Shah of Nepal, President Gandhi of India, King Jigme Singye Wangchuck of Blastan Hussain Mohammed Ershad of Bangladesh, President Maumoon Abdul Gayoom of the Makives.

He added: "We are now forming people's committees to organize the amabutho to hit where it will be

By Steven R. Weisman

New York Times Service
DHAKA, Bangladesh — Leaders of seven South Asian nations, meeting for the first time, established a new association for region-al cooperation Sunday and pledged not to interfere in each other's internal affairs.

The South Asian Association for-Regional Cooperation was founded after two days of talks among the prime minister, two kings, two elected presidents and two generals who lead countries comprising one fifth of the world's population.

South Asia, the scene of border clashes, internal conflicts, internal upheaval and mutual suspicion since the British withdrew in 1947, gional cooperation.

The principal goals of the new group are to reduce tensions among the member countries and to accelerate cooperation in such areas as agriculture, rural development, lecommunications, transportation, sports and culture.

tus and the question of their right to teach authoritatively should be

more clearly explained and in greater depth. A study is urged."

most criticism in the final vote,

returned to a conflict over how

different levels of the church.

much power should be exercised at

Referring to the principle of "subsidiarity," which has been much invoked since Vatican II to

encourage the solution of problems at the lowest appropriate level, the bishops asked for a review of the

"We recommend a study to de-"We recommend a study to de-termine whether the principle of subsidiarity, which is applicable to secular society, can be applied in the charch, and, if so, to what de-

gree and in what sense," the report The theme of abuses in church

worship and teaching, voiced by many bishops, is found in the re-

entire concept.

Another section, which drew the

snan of bangadean, rime minster Rajiv Gandhi of India, Presideat Junius R. Iayawardene of Sri
Lanka, President Mohammed Zia
ul-Haq of Pakistan, King Jigme
Singye Wangchuck of Bhutan,
white Bilmand Shahan,
Shahan,
The South Asian association association five years ago. New Delhi's such
section that its neighbors might use
such a group to gang up on India,
however, proved to be a major imsingye Wangchuck of Bhutan,
Shahan, King Birendra bir Bikram Shah of Nepal and President Maumoon Abdul Gayoom of Maldives.

the leaders had not discussed several issues that have produced antagonism between some of the coun-

The group did not discuss the mutual suspicions of India and Pakistan about each other's nuclear programs, he said, or Bangladesh's utes with India over water.

It was thus unclear whether the new association would play a role participating countries, Mr. Ganin easing India's differences with dhi said the new association was in easing India's differences with Pakistan, Sri Lanka or Bangladesh.

Sri Lanka has accused India in the past of fomenting its internal civil war, although President states of South Asia."

"India weicomes the civeratry of our region," he added. "We affirm the sovereign equality of the seven states of South Asia." Jayawardene has more recently praised Mr. Gandhi for his efforts to help mediate a solution.

Ziaur Rahman, the Bangladeshi The leaders participating were president who was assassinated in forecast President Hussain Mohammed Er-1981, gave impetus to the founding areas. president who was assassinated in forecasting, health care and other

young people and widespread dis-

sent on moral teachings, is accom-panied by a more liberal, positive

Bishops should not only correct

abuses but also explain to their

Regarding the church's relation to the world, the report combines

liberal stress on social activism

with a conservative emphasis on

intensified for the world's salva-

as disaffection from the church by and sacraments; the theology and

panied by a more liberal, positive dialogue with non-Christian reli-acceptance of the world and the gions and nonbelievers; the option

need by the church to read the of preferential treatment for the "signs of the times."

people with clarity the theological the poor was regarded as reflecting foundation for sacramental and issupport for those involved in proturgical discipline," the report says.

Reserving the church's relation

The charter for the new organization, approved Sunday in an elaborate ceremony, requires that General Ershad said Sunday that all of the association's actions be approved by consensus and that it take care to avoid "contentious"

> The leaders met in the starkly beautiful National Assembly building, which has hardly been used since its completion in 1979. Bangladesh has been under martial law for most of that time.

"an act of faith."

The new association created technical committees to discuss

ways to improve cooperation in es-

practice of adapting church teachings to local cultures as well as

church to changing conditions.

The enthusiasm for the cause of

ologies of liberation, who advocate

support for the social and political

The ecumenical movement and

struggles of the poor. -

The leaders also decided to explore ways in which the association could combat terrorism and drug trafficking in the region. Both issues are sensitive, for several of the ountries accuse their neighbors of harboring terrorists and narcotics

Although the nations in this part of the world share much of the same heritage, communication be-tween them is at a low level. Most of the capitals are not linked by air connections, and telephone calls from one country to another can take days to put through.

Trade also is relatively meager, and there was no agreement over weekend to accelerate trade

The participating countries agreed to have their foreign ministers meet twice a year and to hold another summit conference in New Delhi in November 1986.

Diplomats said the seven countries would have to take many small steps in noncontroversial ar eas before the association could

Ticket Plan

(Continued from Page 1)

done. "There will be immediate public disillusionment," he said. "So we will have to pick up the pieces once more. There is still time, but not very much."

The Marcos government appears

"Signs of the times," the report the rights of women, within the says, using a favorite term of Pope roles permitted by the church, are John XXIII, who called Vatican II, also strongly endorsed. opposition was destroying itself. "must be continually analyzed so that the church's message may be heard more clearly and its activity

An overriding problem, according to the bishops, is the determination to make Vatican IFs teachings

better known and to try to gain greater unity in the midst of inport as part of an appeal for a more vigorous program to explain the council's teachings.

Four areas of special attention creasing diversity. They suggest the preparation of manuals and teaching teaching their aims. ting up posters. Mr. Marcos has publicly dispar-

adversaries retreated to the counwaging a guerrilla war against the Marcos government. tryside and took up arms against him. After the July coup, all but one of those guerrilla armies ac-cepted General Okello's invitation

> her that she is the only person who could provide the moral leadership needed to unify the opposition and do bettle with Mr. Marcos. She accepted a draft as the presidential candidate of the Laban ng Bayan coalition last week after supporters had gathered 1.2 million signatures

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Bishops Issue Compromise Report (Confined from Page 1) church's pastoral work today," the some conservatives to bisme secuteners awa "their theological stalargeritien for certain troubles such with its implications for preaching." Moreover, the tendency among interests. The four are the theology of the cross and Easter mystery, and Easter mystery, with its implications for preaching.

to the opposition already has been

The Marcos government appears to be greating the opposition split with scarcely disgrised gies. A presidential spokesman lamented jokingly that he is being left with "nothing to do" to promote Mr. Marcos's re-election because the

The government television channel reported extensively on the failme to amounce a single opposition ticket, calling it a "full-blown fias-co." The station aired a contrasting report on Mr. Marcos's New Society Movement preparing to open its campaign headquarters and put-

aged both of his opponents as presidential contenders, asserting that they are incapable of filling his shoes. He has accused Mr. Laurel of having "fraternized with the enemy" during World War II and of talking to the Communist New People's Army, which is currently

Mrs. Aquino, he has asserted, knows nothing of economics or insurgency and would have to depend on some "mincompoop" to run her government. Lately Mr. Marros, amountly feeling that Marcos, apparently feeling that a woman has a disadvantage in running for president, also has repeat-edly referred with condescension to Mrs. Aquino's sex.

She has acknowledged that "I paigns, Mr. Museveni and the gov-ernment continued to hold talks on don't know anything about being president" and repeatedly has ex-pressed her reluctance to inherit the political mantle of her husband. However, supporters convinced

on a petition urging her to run.

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Halfway through the day, election officials reported that the turnout appeared to be lower than in the first voting, when about 800,000 of 2.7 million voters failed to cast ballots. Explanations for the low turnout Sunday ranged from a lack of familiarity with the runoff procedure to a shortage of transportation. The first official returns were expected by

Cubans Land Plane in Zaire, Are Held

WORLD BRIEFS

Guatemalans Vote in Runoff Election

GUATEMALA CITY (Reuters) — Voting took place Sunday in a runoff election for a civilian president in Guatemala after 30 years of

The balloting in the first runoff vote in the country's history matched Mario Vinicio Cerezo of the center-left Christian Democratic Party against Jorge Carpio Nicolle of the rightist National Center Union. Mr.

Cerezo won 39 percent of the vote to Mr. Nicolle's 20 percent in the first

almost unbroken military rule.

round of balloting on Nov. 3.

KINSHASA, Zaire (Reuters) — Zaire is holding 40 Cuban soldiers, whose Soviet-built plane made an emergency landing during a flight between Lucna, Angola, and the small autonomous Angolan enclave of Cabinda, official sources said Sunday.

The Cubans, together with three Angolans and a Cameroonian, burned the plane and tried to hide their documents after the landing last Sunday about 186 miles (300 kilometers) southeast of Kinshasa. The sources said the troops were heavily armed.

More than 25,000 Cuban troops are in Angola to help the Marxist government fight rebels of the National Union for the Total Independence of Angola. The sources said Zaire's staunchly anti-Communist government did not want to dramatize the incident or inflame recently improved relations with Angola, its neighbor to the south.

Sudanese Court Jails Nimeiri Aide

KHARTOUM, Sudan (Reuters) — A Sudanese court has sentenced a top aide of former President Gaafar Nimeni to 10 years in prison and

fined him \$2 million on corruption charges.

The court said Saturday that Baha Eddin Idris, a former presidential, affairs minister, would be imprisoned for an additional 10 years it has failed to pay the fine.

Mr. Idris, 53, was found guilty of buying outdated helicopters for the army and signing contracts with a South Korean construction company without official approval. He is the first senior aide of the former president to be put on trial since Mr. Nimeri was deposed in a military president to be put on trial since Mr. Nimeiri was deposed in a military

Cypriot Leader Sees Rise in Support

NICOSIA (Reuters) - Presi dent Spyros Kyprianou of Cyprus predicted increased backing for his minority Democratic Party as Greek Cypriots voted Sunday for an enlarged House of Representa-

"I expect a considerable rise in support," Mr. Kyprianou said as he cast his ballot. Voting was compulsory for the 346,500 registered vot-ers. Results are expected to be an-nounced Monday.

The two main opposition groups, the rightist Democratic Rally Party and AKEL, the Communist party, together hope for a two-thirds majority in the 56-seat house, enlarged from 35 seats, which they say could be used to force Mr. Kyprianou to face an early presidential election. He has said that he will serve a full

term to 1988.



U.S. Extends Deadline for Bids on Jet

WASHINGTON (NYT) - The U.S. Air Force has extended the washington (NY1) — The U.S. Air Force has extended they deadline for bids on a contract to develop a new fighter plane, thereby keeping open General Dynamics Corp.'s chances of competing even though it has been suspended from receiving new government contracts.

General Dynamics, one of seven competitors for the fighter plane contract and the third-largest U.S. military contractor last year, was suspended on Tuesday after the company and four former or current. executives were indicted on fraud charges.

In the air force action Friday, a spokesman said the deadline delay was of connected with the suspension but was needed so that certain provisions in the advanced fighter program could be cleared up for the competitors. The other competitors are Boeing Co., Grumman Corp., Lockheed Corp., McDonnell Douglas Corp., Northrop Corp. and Rockwell International Corp. The advanced technology fighter is intended to replace the F-15, the air force's most sophisticated fighter.

Qadhafi Says U.S. Attacked Aircraft

LONDON (UPI) — Colonel Moamer Qadhafi, the Libyan leader, has asserted that U.S. fighter planes fired at a Libyan aircraft on a routine reconnaissance flight over the Mediterranean, a Ghanaian radio station said in a broadcast monitored in London. The Accra station reported that Colonel Qadhafi said Saturday, upon arrival in Accra for a three-day visit, that the attack took place "just

before his current West African tour."

In Washington, a State Department spokeswoman, Anita Stockman, said, "I'm totally unaware of such an event having taken place."

For the Record

Yugoslav police arrested 50 ethnic Albanians alleged to be part of a clandestine group advocating separatism and nationalism in the southern province of Kosovo, an official announcement said Saturday. (Reuters) Spaces are traffic controllers began a three-day national strike Saturday, airline officials said. The strikers are demanding a pay increase of more than 50 percent to bring their salaries up to West European standards, and a cut in working hours.

(Reuters)

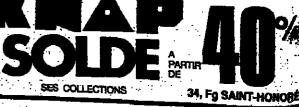
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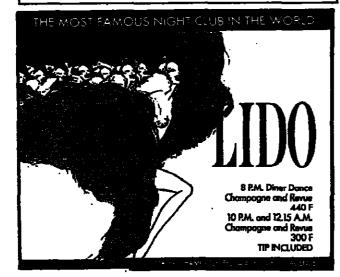
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VIENNA - "A Vintage Affair". Hotel Schloss Dürnstein, April 18-20.
BRUSSELS - "Murder Most Fool", Relais du Marquis, lttre, April 25-21.
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Section)

ENTERTAINMENT

In Kampala, Signs of War Are Everywhere Almost from the day Mr. Obote took office in December 1980, his

(Continued from Page 1) symbol, a threat to the north. When has been having its share." people speak of Museveni, they mean the north."

But Apollo Lawoko, a spokes-man for the government, devied that there had been a history of

the mouths of defeatists. The south

On July 27, a group of army officers led by Major General Tito. Okello, the commander of the armed forces, overthrew Mr. Obote. Mr. Obote's government, according to Western human rights religious and ethnic strife in Uganda. "If there is any religious harmony, it is in Uganda," he said. "The question of tribalism comes from as opponents of his rule.

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to join the new government's ruling military council. Only the National Resistance Army declined.

Instead, Mr. Museveni contin-

ned to expand the territory under his control, inflicting several major

defeats on government troops. But, even as the National Resistance

Army waged its military cam-

forming a unified Ugandan govern-

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States Re-Establish Long-Lost Wildlife

In the past 10 years 33 states have adopted programs to re-establish wildlife species in ar-eas they were forced out of by the advance of civilization. Sometimes the states trade: Wisconsin recently exchanged river otters for Colorado pine

re-established throughout the Midwest. Eventually they will drive out the more destructive mute swans, which are not na-tive. Bighorn sheep are back in Oregon's mountains and beavers in Ohio's rivers.

"We're putting critters back that evolved here," says Donald I. Dick of the Kansas game department. "Critters kept the pests down and nature in baiance so there is a biological reason for restoring them. But there is also an aesthetic one. Some of us think whatever evolved in a certin area should live in that area. Man has destroyed them so man should be the one to bring them back."

Short Takes

meiri li

Carlo Marily

الشائد

Darrei Cabey, 20, one of four youths shot by Bernhard Hugo Goetz, the so-called "subway vigilante," last Dec. 22, has stated in a hospital interview with the New York Daily News that his three companions planned to rob the slightly built Mr. Goetz because he looked like easy bait." Those three have insisted they were merely asking for money to play video games. Mr. Goetz, 38, is free on \$5,000 bail awaiting trial on charges of attempted murder and possession of illegal weapons.

Bernadette Mobarak has been dismissed as a juror in a trial in Santa Barbara, California, to determine whether the R.J. Reynolds tobacco firm is hable in the death of John Galbraith, 69. He died three years ago of lung cancer and other ailments after smoking Reynolds cigarettes for almost 50 years. Miss Mobarak, defense attorneys learned, had posted No Smoking signs near her desk at work, often turned a fan on in the direction of cigarette smokers and complained to su-periors about smoking in the

The U.S. military has been phasing out the Jeep in favor of larger vehicles for the past four years. Now American Motors is closing down production of the basic civilian model in favor of better-selling, station-wagon models. More than two million Jeeps, civilian and military, have rolled off assembly lines since 1940.

Notes About People

...

book, "Are You Tough Enough?" that she remembers David A. Stockman, who was director of the Office of Man-

(Continued from Page 1) been exceeded and whether auto-

matic spending cuts are necessary.

This might be considered an un-

constitutional mixing of the au-

thority of the executive and legisla-

tive branches. A court ruling to that

effect would cost the plan its en-

forcement mechanism, the auto-

If this happened, the House and

the Senate could make cuts of the

same size through legislation sub-ject to presidential review, but that

would bring in the same political

considerations that govern the ex-

The key to the measure is the

nent that it be divided

automatic spending cut. And the

evenly between military and doestic programs. Many backers

tope that these threatened cuts

would be severe enough to force

greement for some tax increases.

iay that they wanted to avoid autonatic cuts. Rather, they hoped

Congress and the White House would work from January, when

The negotiators made clear Fri-

matic cuts, the negotiators said.

agement and Budget when she was head of the Environmental Protection Agency, as "brilhisnt" but "driven and calculat-ing." She said that "he hates EPA, period." Of Rita M. Lavelle, the former agency official who served nearly six months in prison for perjury, Mrs. Bur-

ford says that, at their first meeting, "I didn't think she was as dumb as she turned out to At 84, Harry Bridges is thin, bent and suffering from emplysema, but as outspoken as when he was building up the international Longshoremen's and Warehousemen's Union on the wharves of San Francisco in the



Harry Bridges

Francisco, he told The New York Times that today's union leaders make too much money, bave too little fight and are out of touch with their workers. But he added. "I have complete faith in the labor movement."

Kathleen Kennedy Townsend is expected to join her brother Joseph P. Kennedy 2d in running for Congress next year, he from Massachusetts and she from Maryland. Mr. Kennedy, 32, announced his candidacy last week. Democratic Party sources say that Mrs. Townsend, 34, a lawyer specializing in public interest cases, plans to challenge Helen Delich Bentley, the Republican incumbent in the Second District, north of

George A. Keyworth 2d, who has announced he is quitting as President Ronald Reagan's science adviser to form his own industrial advisory company, said one reason for leaving the White House was that things were at a "happy point," and "I think the president needs some fresh blood. When I walk into a noom everybody knows what I'm going to say.'

Seven times a bride, Elizabeth Taylor says she'll probably try marriage again, but is in no hurry. "I think maybe I'm finally growing up, and about time," Miss Taylor, 53, told Vanity Fair magazine. But after two broken engagements, "I'm being very cautious. I'm sure I will remarry once more, but only once more, and boy, it's going to be right. I'm talking no

J.S. Budget Bill Would Change Policy Goals

the president submits his budget, until the start of the next fiscal year

to reach agreement on how to meet the deficit ceiling. If they failed, the automatic cuts would be made Oct.

"The theme in what we did was

to make this thing so irrational, so

ngly that it works as a chib," Mr.

Lawmakers say they hoped the

neasure would force the White

House to agree to tax increases and lower military spending, and Con-gress to accept cuts in popular do-mestic programs from education to

As of now, however, the admin-

istration is sticking to its plan to propose a 1987 budget that would keep taxes steady while increasing

military spending by the rate of

Senator Pete V. Domenici, a

New Mexico Republican who is

chairman of the Senate Budget Committee, indicated Friday that

it would be nearly impossible politically to meet these goals and the deficit ceiling of \$144 billion.

inflation plus 3 percent.

Ortega Says More Guerrillas May Use Anti-Aircraft Arm

By Edward Cody. Washington Post Service.
MANAGUA — President Daniel Ortega Saavedra of Nicaragua has declared that "any irregular force in the area" could obtain and use anti-aircraft missiles 'now that

U.S.-supported guerrillas have used them to shoot down a Nicaraguan helicopter. The warning, a clear reference to leftist guerrillas in El Salvador, appeared designed to dramatize Nica-

ragna's outrage at the anti-Sandinist rebels' use of such missiles last week for the first time in their fouryear war to overthrow the Managua government Mr. Ortega, speaking at a news conference Friday, repeated Nica-

raguan assertions that the Reagan administration had directly supplied the Honduras-based Nicaragnan Democratic Force, the largest guernlla force, with portable SA-7 ground-to-air missiles. He said this presented a "terrorist escalation" of Central American conflicts. "Here we have the U.S. government, which calls itself a fighter

against international terrorism, it-self stimulating international ter-rorism," he said. Later, he added, "They are opening the door for any irregular force in Latin America to use this type of arm."

In Washington, Secretary of State George P. Shultz denied Fri-

day that the United States had sup- Force announced early this year it plied the rebels with SA-7s. But he had acquired a number of the said, "If I were them I would cer- shoulder-fired missiles and was tainly want to" have such arms. "I training its men in their use. But say, 'Fine, I'm all for it.'"

Angeles Times on Friday that the missile used to shoot down the Nicthis year, using funds contributed given to us by the United States," he said. "It wasn't even brokered by Americans."

The Salvadoran guerrilla allice, the Farabundo Marti National Liberation Front, has encouryears about whether its combatants could obtain anti-aircraft missiles. The Nicaraguan military has a sub-stantial number of the Soviet-made Group had suspended negotiations

government has been relying in-creasingly on aircraft for bombing. straing and rocketing and for transporting troops for swift as-

The Nicaragnan Democratic

y, 'Fine, I'm all for it'"

Monday's downing of a Nicara[Adolfo Calero Portocarrero, the guan Air Force Mi-8 helicopter was political chief of the Nicaragnan the first known occasion that the Democratic Force, told the Los guerrillas had successfully used the

Mr. Ortega refused three times araguan helicopter was purchased Friday to say whether Cuban mili-from a Soviet-bloc country earlier tary advisers were killed when the Friday to say whether Cuban miliaircraft went down in the central by private supporters. "It was not Nicaraguan mountains. The U.S. assistant secretary of state for inter-American affairs, Elliott Abrams, said in Washington on Thursday that Cubans had been killed in the crash.

aged discussion for the last several **III** Contadora Process Suspended Foreign Minister Augusto Ramirez Ocampo of Colombia said Group had suspended negotiations on a peace agreement for Central America for five months at Nicara-Such weapons would mark a America for five months at Nicarasubstantial shift in the Salvadoran gua's request, The Associated Press civil war, where the U.S.-backed reported from Cartagena, Colom-

Nicaragua officially proposed the suspension on the ground that new governments that are to take saults. To date, the heat-seeking office in Guatemala and Honduras missiles are not known to have in January and in Costa Rica in been supplied to the Salvadoran April could change policy toward the negotiations, Mr. Ramirez said. Colombia, Mexico, Venezuela

Miguel d'Escoto Brockmann, the foreign minister of Nicaragua, attending services at a Roman Catholic church in Beijing on Sunday. Nicaragua established diplomatic relations with China on Saturday and announced it had severed relations with Taiwan on Thursday.

and Panama have been working gua in July and the government's ment censorship against the publi-with Central American countries "intimidations and vexations" of cation of priestly homilies. for nearly three years in an attempt region. They are known as the Contadora Group because they first met on the Panamanian island of

■ Pape Denounces Intimidations? Pope John Paul II deplored on

the church in the nation. The Associated Press reported Saturday from Vatican City.

In an open letter to the Catholic cardinal and bishops of Nicaragua, the pope said that the continuing nice of priests there was unce tain because of "obstacles of a various nature against the church."

Saturday the expulsions of 10 Roman Catholic priests from Nicara-he appeared to be referring govern-John Paul did not elaborate, but

The Nicaraguan government accounter-revolutionary and has expelled 17 foreign priests in the past four years, including 10 in July.



Two-Thirds of Toxic Waste Dumps Fail to Win U.S. Permits

By Philip Shabecoff
New York Times Service

WASHINGTON - More than two-thirds of U.S. toxic waste dumps have failed to qualify for installing new monitoring equip-permanent operating permits and ment and obtaining sufficient li-must now be closed, the Environ- ability insurance.

now taking hazardous waste had certified that they meet requirements for monitoring underground oil refineries that were starting to water and financial responsibility under the toxic waste disposal law. Sites that did not make such a certification to the agency by Nov. 8 are required to cease operations.

The relatively small number of waste sites that could meet legal requirements under the law, which was amended last year to stiffen requirements for safe disposal of hazardous materials, surprised environmental agency officials. Just before the Nov. 8 deadline the agency estimated that 30 to 40 percent of the operating landfills would be unable to comply.

Until Nov. 8, the waste disposal sites could operate under less strineent requirements. Landfill operators that could not certify compliance with the rules were required to submit by Nov. 23 a plan for closing their sites. The agency has not yet received from state agencies information on how many operators have submitted plans for closing. the agency's toxic waste enforce ment program, speculated that mp operators looked at

30 to 50 domestic programs would have to be climinated to meet the

1987 deficit ceiling, said Senator

Bob Packwood, an Oregon Repub-

Reagan Urges Tax Overhaul

Mr. Reagan urged the House on

The plan approved by the House

Ways and Means Committee comes before the full House this

week. Mr. Reagan's plea for pas-sage came amid warnings from

Capitol Hill that unless the presi-

dent works hard for the measure

the momentum for tax overhau

In his weekly radio address, Mr. Reagan said: "While the proposals

before the House are far from perfect, they do represent an essential step toward a tax code that is fairer,

lican who is chairman of the Sen Finance Committee,

ported from Washington.

not worth keeping their sites open. Such rules include refitting landwastes they produce, he said. Mr. Lucero noted that many of last year's amendments to the fills to make them more secure.

result of compelling the adoption or alternatives to the disposal of mental Protection Agency has re- He said information he had rehazardous wastes in landfills, ceived indicated that many people The agency said Friday that only who generated waste and disposed 492 of the nearly 1,600 landfills of it themselves were finding other ways to handle their wastes. He said he had heard of a number of recycle their wastes instead of plac-

which inevitably leak. Officials said the compliance deadline would not immediately leave the United States short of capacity to dispose of toxic wastes. Well over 200 million metric tons

waste law were aimed at just this

include the waste already in abandoned disposal sites, which the law pliance. says must be cleaned up either by the waste disposers or by the gov-

Many of the disposal sites that failed to certify compliance were smaller facilities, usually situated on the premises of the waste-generating company.

Most of the big commercial sites that take waste from industrial generators have certified compliance (more than 220 million tons) of with the rules and qualify for pertoxic waste is produced each year manent permits. The environmen-in the United States. This does not tal agency said 50 of the 59 big

The agency also said that 45 waste disposal facilities could not comply with the rules, even though their monitoring of underground water was satisfactory, because they were unable to obtain the nec-

essary liability insurance. J. Winston Porter, the environmental agency's assistant administrator for waste programs, said Congress was considering legislation to provide relief to waste disposers who have otherwise complied with the rules but had not been able to find insurance.



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Business takes off with Falcon.

A Week of Rush Jobs

As so often happens, Congress and the president have left it to the last few days.

The tentative adjournment date is Friday. There are five major bills left, summing up the entire year's work, and Mr. Reagan is said to be content with none in their present form. He has threatened to veto three; he has a mixed view of a fourth; he has reportedly decided to support a fifth only in hopes that the Senate can be persuaded to amend it next year.

The five bills are A bill to raise the debt ceiling above \$2 trillion for the first time, so that the Treasury can continue borrowing into next year; the much fought-over Gramm-Rudman deficit-reduction t is attached to this. The president has endorsed the goal of the amendment — a balanced budget in five years — but has resisted the defense cuts that it would entail. Conferees reached a compromise on Friday. It is not clear whether he will accept it.

A continuing resolution to fund for the rest of the fiscal year the half of the government, including defense, for which regular appropriations bills have not been passed. Present spending authority expires Thursday night. The White House has threatened a veto on grounds that the resolution may provide too little for defense spending while exceeding budget tar-

A "reconciliation bill" restructuring a range of domestic programs, to meet those budget targets not covered in the appropriations process. Similar House and Senate versions are in conference; sponsors say that each would cut the deficit by about \$20 billion this fiscal year and more thereafter. Administration spokesmen have warned of a veto because some of the deficit reduction would come from tax increases, some has already been achieved administratively and some is the product not of of the bill would also authorize some new

programs while cutting old ones. The farm bill now in conference. The conferces have been told that the president's advisers will recommend a veto unless the conferees sharply cut the bill's likely cost.

The tax reform bill scheduled to come before the House this week. The Democrats preserved the label and the framework of the president's reform proposal of last May, but reworked details. The chief difference is that their plan would give a much smaller tax cut than the president's to people in the highest income brackets. Democratic leaders say the bill requires presidential and Republican support to pass; the president has been standoffish.

It is a terrible way to govern. That will be true however all the bluffing and maneuvering turns out. You have here bills of enormous economic, social and political consequence. Bunched and lost inside them are provisions that will affect every interest group and individual in America. Congress seems incapable of acting except in the rush of adjournment, when seized with the pressure finally to go home. You can expect the president to deplore the behavior and habits of the legislators.

The remarks will be deserved. Congress is not presently one of the world's more efficient or impressive institutions. But the president is equally responsible for the likely week ahead, the possible train wreck. His tax and spending policies have produced the deficit that is the source of strain in all of this legislation. All year he has balked at moves to deal with the deficit because they have impinged on his preferences as to taxes vs. spending, and do-

mestic spending vs. defense.

The difference between this and the more orderly years of the first term is that Congress is no longer so compliant. That much is good. - THE WASHINGTON POST.

An Odd Israeli Response

Something curious and unappealing is unfolding from the Israeli spying incident. Although an offense was committed against the United States, some Israelis are making their country out to be the injured party. A burden is being put upon the United States for asking, or for asking too insistently, to get back the stolen documents and to interview the relevant officials. Days go by and the knots are slow to be untied in the crucial matter of transforming generous assurances of cooperation on th political level into specific arrangements at the working level. Far from moving to satisfy the American requests and to demonstrate forth-rightness and full good faith, there is a tendency to sweep the matter under the rug.

Some Israelis even have in mind the particular "rug": the U.S.-Israeli relationship. The overall connection between the two countries, it is suggested, is too valuable to be made to suffer for any excessively diligent pursuit of the facts in this affair. Too valuable to both countries, it is added. The Washington Post's William Claiborne reported from Jerusalem the other day "the frequently encountered view here that the United States is as dependent on Israel for meeting its strategic objectives in the region as Israel is dependent on the United States for financial and political support." Or, as one official put it, "We know the

Americans don't give us all that money be-

cause they like our beautiful blue eyes." This is strange. There is in America a broad consensus behind supporting Israel on moral and sentimental grounds. But there is a deep continuing argument over whether Israel is more of a strategic asset, a kind of pad for a launching of American forces in some ultimate regional confrontation with Soviet power, or more of a strategic liability, an impediment to the pursuit of American interests in the Arab world. It is not the kind of question that a prudent Israeli would want to see Americans debating at this moment. In any event, to think that America's strategic dependence on Israel is no less beyond question than Israel's financial and political dependence on the United States is dreaming. Israelis should not slight their "beautiful blue eyes" — their appeal as a fellow democracy and a haven for Jews.

We observe that the people in Washington most troubled by Israel's performance in the spy affair include some of its truest friends. They do not fear that the relationship will be disrupted; nor should they. But they are baffled to see Israel put domestic political considerations first, fail to realize the American dimensions of the case and appear to try to take

petty advantage of American good will. - THE WASHINGTON POST.

Other Opinion

Combining Against Terrorists

International terrorism is a growth business: There were 500 acts in 1983, 650 last year and experts are forecasting steady 30-percent growth for some years yet. Only a major initiative at international level will change that trend. That is why the imminent agree between the United States and the U.S.S.R. on ways to combat the scourge is so important.

The Communist countries have been responsible for much of this increase. The Eastem bloc, led by the Soviet Union, seems unable or unwilling to distinguish between popular revolutions and acts of terrorism. While not even the CIA believes that the Soviet Union is the mastermind of world terrorism, there is no doubt that terrorists have been armed, trained and occasionally financed by Russia and her allies.

But in recent years the Soviets have found themselves increasingly under attack by terrorists, particularly abroad. This seems to have brought about a change of heart.

For the West to take the Soviet Union seriously there must be more than a resolution in the United Nations. Training camps for terrorists behind the Iron Curtain will have to be dismantled. The supply of guns and ammu-nition to terrorists by Eastern bloc arms dealers must end, and the giving of sanctuary to terrorists on the run should stop. - The Sunday Times (London)

It is time to end the convention that storm groups should always come from the country of the [hijacked] aircraft. Airlines of any nationality ought to be able to call on a ruthless international rescue force. Britain's Special Air Services or West Germany's Grenzschutzgruppe 9 might compete for the contract.

Some people will say that the 60 deaths [in Malta] show it is wiser to negotiate with terror-ists than to try to storm them. This is wrong. If hijackers believe they can strike bargains with governments, they will be encouraged to kid-nap and kill all the more. Although one of the skills of an expert group should be to know bow long to draw out discussions, there should be an understood rule: No promises should be honored to any hijackers who have murdered any hostages. At Malta the terrorists had already shot women, joking and dancing as they did. Later they threw grenades at children.

If such psychopaths are succored by the governments of sovereign states like Libya, any action will become justified against such governments. Civilized peoples have to com-

nine against Barbary pirates. - The Economist (London).

FROM OUR DEC. 9 PAGES, 75 AND 50 YEARS AGO

1910: A Panic-Breeding' System WASHINGTON — Mr. Franklin MacVeagh, Secretary to the Treasury, in his report to Congress [on Dec. 8], renewed his advocacy of currency reform in a more urgent manner than he has hitherto adopted. He also recommend-ed that, in the event of any general change in the currency system, the scope of business permitted to the national banks be extended to include the establishment of foreign branches as well as the entrance into the several fields of business at home, which are at present restricted to savings banks and trust companies. "Our system," he said, "can fairly be called a panicbreeding system, whereas every great national banking and currency system is panic-prevent-

ing. So long as we continue with the present

system we are liable to panics."

1935: Jews Are Beaten in Bucharest BUCHAREST - Numerous persons, including several prominent Jewish lawyers, were injured in anti-Semitic riots here [on Dec. 8] which broke out as a result of a movement to exclude Jews from the bar. A body of 300 nationalist lawyers and students, armed with sticks, broke into the Palace of Justice, where elections to the bar were being held, and beat up their Jewish colleagues. Several victims were in serious condition. The demonstrators then organized a hunt for Jews. Buses and tramcars were stopped and Jewish-looking passengers thrown into the street, where they were trodden upon. It is stated that the rioters were encouraged by recent measures taken at Bucharest University against Jewish students, who have been ordered not to attend lectures.

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From a remote cabin in the Urals, a political exile makes his one precious phone call to America . . .

As the Chinese Giant Awakens, the World Changes

By Warren Christopher

OS ANGELES - Napoleon Let her sleep," he warned, "for when she wakes she will shake the world." That time has come. China is

about to become a superpower.

If China and the Soviet Union maintain the growth rates they have averaged over the last decade, by 2000 China's economy will be three times as big as the Soviet Union's. China's independent course in for-

eign affairs is producing a great shift in the global military balance. The Chinese have emerged from the Cultural Revolution — from the convulsive and costly process of turning a whole society on its head to

force ideological purity. And China, to a degree unprecedented for a major Communist society, is looking for guidance less and less to Marx and more and more to the marketplace. What a powerful example, when the world's largest developing country, with almost onefourth of all mankind, embraces ideas like the profit motive, private entrepreneurship and market pricing. In 1949 the "loss" of China sent a

In 1949 the "loss" of China sent a nese history, in the cultural self-contremor through U.S. political life that reverberates even now. Senator Joseph McCarthy's famous charge that garded all foreigners as "barbarians."

The writer is a former deputy secretary of state. This is the first of two articles.

there were precisely 57 Communists in the State Department came less than eight weeks after Chiang Kaishek picked up the remnants of his government and fled to the island province known as Formosa.

China's revolution helped define America's approach to the postwar world. Here was proof that the Soviets aspired to reshape the world in a Marxist image and that, unless resisted, they might. In the 1950s and '60s the memory of the fall of China and fears of the Chinese Communis bared America into divisive land wars in Asia, first Korea, then Vietnam. Against that background, it is stunning that Americans now find so

much in common with the Chinese. The shift began in the 1960s with the deterioration in China's relations with her ostensible Soviet mentor. In retrospect, the split seems to have been inevitable. Resistance to foreign ination is deeply rooted in Chi-

Even the Communist revolution could not erase all this history. When the Soviets asserted the right to defend socialism by invading sovereign nations, Czechoslovakia was the 1968 target but China saw the message and didn't like it. By 1969 there was sporadic fighting along the Sino-Soviet border and Mao Zedong was telling his people to "store grain every-where" and "dig tunnels deep" — words that resonated with Americans

concerned about Soviet expansion. That parallel outlook toward the Soviets opened the way for gradual normalizing of U.S.-Chinese contacts, leading to the establishment of full diplomatic relations in 1979.

This Sino-Soviet division has been a fact of life for many years, but many may not have grasped its full importance. Not long ago U.S. defense planning was geared to fight two and a half wars at once—against the Soviet Union, against China and against a smaller regional power. Now the United States does not arm itself against China - but the Soviet

brought a major realignment in the global balance of power. Will China slip back into Soviet orbit? No — not necessarily because of U.S. diplomats' skill but because of underlying realities.

We all have a tendency to overstate our influence - to confuse our presence at an event with its cause, like the rooster who thinks his crowing calls forth the sun. The notion that America could manipulate China as part of a strategy toward the Soviets has always been the height of presumption: to regard a nation of a billion people as a playing card in the U.S. deck. Reasons of her own—an underlying clash of cultures and a is that resumption of dialogue belong and troubled border --- will keep na out of the Soviet orbit. Since

China's position is grounded in self-interest, it is all the more durable. There have been compelling new indications of a pragmatic Chinese posture in dealing with other coun-tries, notably in the handling of the Hong Kong matter. The Chinese approach in this case had many andices, not least of them Taiwan. It is one thing to talk about "one country, two systems"; it is another to enter cements to make it happen.

Los Angeles Times.

South African Truce 'Would Be Very, Very Easy'

T IS true that the African National Congress A has members of the Communist Party. There has been an overlapping of membership from the beginning. But ANC members who are members of the Communist Party make a very clear distinction between these two independent bodies. We cooperate a lot, but the ANC is accepted by the Communist Party as leading the struggle. often suggested that the ANC is controlled by

Commiss. That has never been true.

As for the charge that we are controlled by the Soviet Union, this, too, is propaganda. We go to the Soviet Union as we go to Sweden and to Holland and to Italy to ask for assistance. The Western countries that support us do not give us weapons. But in the socialist countries we get the

weapons. But in the socialist countries we get the weapons. So we go there to get what we can't get elsewhere. And that's all there is in it.

There is also a lot of exaggeration about terrorism. For the better part of 20 years we were very, very careful in our sabotage actions to avoid hurting anybody. We could have been terrorists but me chose not to be. It is true there note. but we chose not to be. It is true that more recently we have stepped things up. But this was after 20 years. We have been notoniously restrained in our armed actions — notoriously. П

All of us in the ANC have always considered that whites, like ourselves, belong to our country. We took the earliest opportunity to dispel the By Oliver Tambo

Mr. Tambo, leader of the African National Con-gress, lives in exile in London. This has been adapted from an interview conducted by Anthony Heard, editor of The Cape Times in Cape Town, and published in that newspaper on Nov. 4.

out. We have asked whites to join us in the struggle to get rid of the tensions that come with the spartheid system. We have hoped that to-gether we could build a nonracial South Africa -and by nonracial we really do mean nonracial. Our charter says that South Africa belongs to

all who live in it, and we say that people who have chosen South Africa as their home are welcome there. There is plenty of room. We don't really see our white companiots as whites in the first instance. We see them as fellow South Afri-cans. We are all born in that country. We live on that continent. It is our country. Let's move away from these distinctions between Europeans and non-Europeans, whites and nonwhites. It would be in the interests of all of us that

everybody feels secure. Everybody's property is secure; everyone's home is secure. Let us not look at one another's color. Let us not address that. Let us see one another merely as fellow citizens. The question of violence worries many people. The unfortunate thing is that people tend to be

worried about the violence that comes from the oppressed. But there would be no violence at all if we did not have the violence of the apartheid system. We can stop our struggle. We can stop our violent actions. But on what basis? And in return for what? There is always a possibility of a truce. It would be very, very easy, if for example

we started negotiations. ment - when they are ready. At the moment we think they are not ready. A serious indication of readiness would be the release of Nelson Mandela and other political leaders in prison. They have got to be part of the process. Lift the state of emergency. Pull out the troops from the townships, and the police. Release the political prisoners. Even unban the ANC. Do all these things to create a climate. Then we would begin to see that the other side is ready to talk.

I am angry and frustrated, like we all are, but I was once a full supporter of nonviolence because I thought it would fulfill our objective. When that failed we had to look for an alternative. We found it in combining political and armed actions — and it is one of those things that you have to do, as there is no other alternative. I think that many people in the ANC would be glad if there was no need for violence. But the need is there, and we have got to go ahead with it. The New York Times.

A Variable-Geometry Europe for Varied Flights

- whatever Europe's schoolbooks may teach about the advantages of an

P ARIS — The future of Europe depends upon Europe being understood as possessing fluid frontiers, not always those of the European Community 10 (soon to be 12) but sometimes bigger, sometimes smaller. The Community is an idealistically cooperative yet erratically and self-

ishly uncooperative association of countries, tom between specific national interests and the advantages of the larger association. Economic cooperation has slowly but steadily enlarged. There is not, however, and probably never will be the common political decision-making that was the ambition of Jean Monnet and the Community's other original builders.

Europe exists, nonetheless, as a moral and cultural entity. It incorporates Eastern Europe in these respects, a fact that produces persistent uneasiness in the EC, whose members appreciate their good luck but are aware that they represent an ampu-tated part of a civilization upon which Prague, Budapest and Warsaw

also make neglected claims.

The risk is that Europe's real possibilities are obscured, even discount-ed, because of unrealizable ideas about what the Community is or might become. The political limits of Europe were made evident once again at the meeting of the Commu-nity chiefs of state in Luxembourg last Monday and Tuesday. The crippling rule of unanimous decision, in effect since 1966, could only be modified at that meeting, not removed.

Unity exists, certainly, but on a closely defined minimum. On the other hand, the common economic strategy to which the Community aspires would inevitably benefit one country more than another, or penal-ize one or another. Each wants protection of specific interests against competition. But beyond that, each major European nation wants to maintain a sufficiently extensive and balanced economy to be autonomous

By William Pfaff

international division of labor. Every major country wants an au-tonomous aviation industry and its own computer designs, electronic chip capacity, telecommunications systems, car manufacture, cement, steel and shipbuilding, not to speak of national overproduction of butter, wine, milk or mutton.

The two motives for this are the

desire for self-sufficiency, a form of the instinct of national security, and the felt need to control the national economy. No politician wants to yield to an external anthority a decisive role in employment, inflation, investment decisions and growth. Europe's common practical suc-

cesses in recent years have come above all in high-tech areas where the scale of a project compelled sacri-fices to international cooperation. The Airbus, for example, is a European success, after a series of individual national failures to make a commercial aircraft to compete with Boring and Douglas. The European space program and its Ariane rocket are successes. The Tornado European fighter and the Concorde have been technological successes, even if Con-corde failed commercially (in part

due to a surge in fuel prices).

The French are now canvas their neighbors for help in building a European space shuttle, Hermes, as well as a new series of very high-tech projects grouped under the title of Eureka. The French constantly bully and cajole the other Europeans to come in on ambitious space and acronautical programs, justified by the fact that without France's pressure and blackmailing no European space or commercial aviation industry would probably now be left to compete with the United States. Cooperative European programs al markets, will not support it. The tantalizing opportunity is presented by an open, all-European market that would be the richest and most sophisticated in the world. Thus the defense of European technology and, through that, of an independent European industrial

Community works, than in Ham-burg, Düsseldorf, Milan, Turin, Par-is, Toulouse and London, where Enwork when governments or national industries need one another so badly ropean industrial decisions are made.

The politice-bureaucratic struggle in the Community's headquarters that they have to sacrifice selfish interests and find large sums of money to spend on what often are exceedingly speculative enterprises. There is and at its conferences is less impor-little alternative to cooperation in tant than the cooperation generated these cases. The threat to European by specific projects that excite and technology — in itself, of world class
—is that the existing national indusengage scientists, engineers and in-dustrial managers and inspire new administrative and legal institutions to serve practical needs, such as the quasi-autonomous amalgams of public and private enterprise that run the trial bases, not to speak of the nationbig aeronantic and space programs. These are creative responses to the needs of a Europe whose moral, intellectual and even technological identity is beyond doubt, but for whom an economy — and of an autonomous onomous future remains unsure. Europe — lies less in Luxembourg,

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RegionalGrounds For Talk

By Dominique Moïsi

PARIS — In today's complex world, lack of superpower agreement is due not to the ineptitude of diplomats or the shortsightedness of statesmen. Rather, it is a good illustration of an international system once described by the French political philosopher Raymond Aron as "peace impossible, war improbable."

The name of the game is victory without war. The combatants use an indirect approach that combines the arms race, exploitation of local conflicts and manipulation of public opinion where it exists to be exploited — that is, in the democracies. Summitry is part of this equation.

The results of Geneva will take

time to unravel, but preliminary lessons can be derived from the summit. The time factor is worth emphasizing. Ronald Reagan feels pressed by time; Geneva was to pave the way for resumption of a more normal relationship with Moscow and thus enable him to leave an imprint on history as the man of peace who restored American power. Mikhail Gorbachev needs time to consolidate his personal power; and time is required if the Soviet Union, after its failure to prevent deployment of Euromissiles, is to regain the diplomatic initiative

and partially revive its economy. The compromise in Geneva between the man pressed for time and the one who needs time was also possible because the personal optimism of President Reagan could mesh with the ideological optimism of a Soviet leader who has been taught to believe that history runs in his favor. But the encounter between Mr. Reagan and Mr. Gorbachev could not produce any kind of concrete agreement, given the diverging positions on almost all issues. tween the superpowers can no longer

At the peak of détente in the mid-70s, after the SALT-1 treaty and the Vladivostok agreement in 1974, arms 🎉 control negotiations were — at least for the Americans — the key element of détente. At the time, Soviet adventurism in the Third World was initially favored by opportunities created in Africa in the aftermath of the Portuguese revolution; adventurism soon took a new form and reached new peaks, endangering the détente pro-cess itself, as demonstrated by the Soviet invasion of Afghanistan.

be limited to arms control.

Today, in the mid-1980s, could one envisage at least a partial reversal of the priorities of the 1970s by fully balancing regional negotiations and arms control? The U.S. administration is split on arms control between disillusion and sheer rejection. The Kremlin, for its part, has not aban-doned the idea of halting Mr. Reagan's Strategic Defense Initiative, although it now seems to count on budget-cutting by the U.S. Congress and on the intrinsic scientific obstacles. The Soviets will of course con-OIL THE SIDLAS ONE WAY OF dividing Europeans and Americans and putting America on the diplo-matic defensive. But they may have decided that continuation of the U.S.

program will not prevent dialogue. More skeptical about arms control, the superpowers are also more wornied by regional conflicts. The Soviet Union finds its latest conquest, Afghanistan, more difficult to digest than expected. It hesitates to take more risks in Central America, and is largely on the defensive in the Middle East. It wants to be a party to any negotiations, but also feels the growing weight of transfer and the

ing weight of terrorism and the danger of revolutionary Islam.

Shared vulnerability does not necessarily breed complicity and is not in itself sufficient ground for agreement. Moreover, whereas the two su-perpowers can at least pretend that they are in control of their arms programs, regional conflicts largely escape them. What unites them in the Third World is a common impor-tance and a common incapacity.

That incapacity to control events limits the possibility of putting re-gional conflicts at the heart of the East-West dialogue. It is absurd to expect regional dialogue to compensate for the arms control impasse. And yet, some tacit understanding, based on the true interest of the two parties, may be a sufficient basis for sustaining regional dialogues.

One cannot dream of returning to the Machiavellianism of the 19th century. Given the nature of the Soviet system, dialogue can only be firm and without illusions. Yet the superpowers are learning the limits and frustrations of power. If they recognize that regional conflicts are as much a source of vulnerability as of opportunities, there is room for dialogue.

The writer is associate director of the Institut Français des Relations Internationales. He contributed this comment to the International Herald Tribune.

LETTERS TO THE EDITOR

Pakistani Nuclear Plans

In response to the opinion column "Pakistan's Islamic Bomb' Is Abnost Here" (Dec. 2) by Harold Freeman:

Pakistan's nuclear program stems from the country's desperate need for energy; there is a woeful deficiency in conventional energy resources. The program is needed to meet the requirements of present and future nuclear power plants, and not for competition with other countries which may be producing atomic bombs or have the intention of doing so. Pakistan is pursuing a peaceful innclear program because it believes that nuclear power holds the key to our fu-ture economic development and pre-sents the only viable alternative for overcoming the critical power shortage being experienced in the country. During his visit to Cairo last

Haq stated categorically that Pakistan has "neither the desire nor the capability ... to produce an atomic bomb." He added that "we wish to obtain nuclear technology for peaceful purposes" and that its use "has already brought about significant results" in agriculture and medical treatment. Refusal to accept such unequivocal assurances reflects bias and a desire to malign Pakistan

Mr. Freeman's claim that Palcistan's nuclear program is being fi-nanced by Libya or Sandi Arabia is totally baseless and has no truth to it. AKRAM SHAHEEDI Press Attaché

Embassy of Pakistan, London.

Mr. Freeman appears to have overlooked the important declaration by President Zia to the UN General Assembly last Oct. 23 in which he said it month, President Mohammed Zia ol- was Pakistan's policy to develop nu-

clear energy for peaceful purposes only. He said India and Pakistan should sign the nonproliferation treaty and accept full-scope safeguards of the International Atomic Energy Agency. He further said both countries should agree to a nuclear weapons-free zone in South Asia, as Pakistan has been advocating for years.

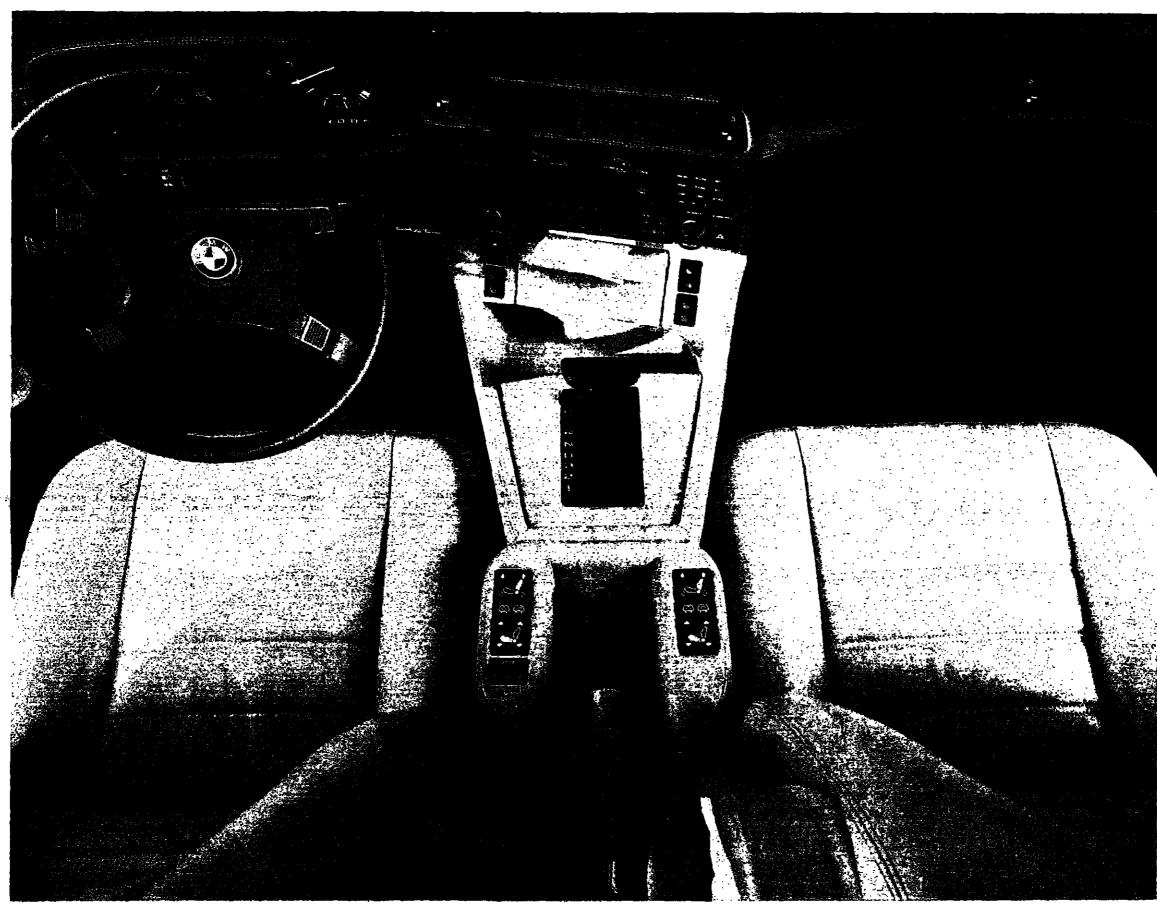
KHWAJA UAZ SARWAR, Press Counselor. Embassy of Pakistan, Paris.

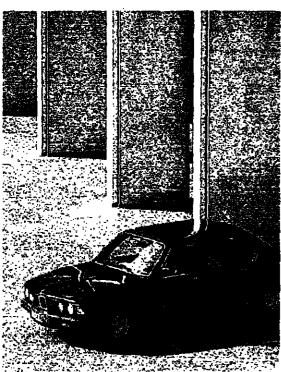
Zionisis should note that "Islamic bombs" could destroy the state of Israel but not the diaspora. The nation-state is going the way of the fortified city, becoming more a target and a death trap than a haven of security. Is it not time we rethought the hitherto sacrosanci link between nationhood and territory?

ANGUS SIBLEY. London

For people who are only satisfied with the best, there's now an unusual new way to go one better.

The 'highline' versions of the BMW 735i and 745i.





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"Highline" also stands for an unrivalled and comprehensive list of standard fittings and accessories: for instance, electrically adjustable front seats with an optional memory control of the driver's seat for 3 different driving positions, an electronic high-tech stereo radio-cassette player with remote control in the rear centre armrest, electric windows all round, metallic paintwork and low-profile performance tyres on

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Country

U.S. Tightens Rules On Travel for Diplomats Of 4 East-Bloc States

By Bernard Gwertzman New York Times Service

WASHINGTON - The U.S. government now requires diplomats of East Germany, Poland, Czechoslovakia and Bulgaria to make travel arrangements within the United States through the State

The new policy, which runs counter to previous efforts to keep travel as uninhibited as possible will make it possible for the Federal Bureau of investigation to keep track of the four nations' diplo-

The government did not indicate that travel by nationals of the four countries would be curtailed.

But it has warned all the East European allies of the Soviet Union that their diplomats' right to travel freely will be curbed if any of their nationals are found spying in areas that are closed to Soviet citizens. State Department officials said

The moves are part of an effort to prevent East Europeans from spying on behalf of the Soviet Union.

Two other Soviet allies -- Romania and Hungary — also have been warned against spying, but their citizens do not have to make travel bookings through the State Depart-

Other curbs are being placed on, some diplomats from Cuba, Libya, Iran, Afghanistan, North Korea, Vietnam, Mongolia and Cambodia and representatives of the Palestine

Liberation Organization. The government's rationale in curbing the East Europeans was discussed Thursday in Senate testimony by Rozanne L. Ridgway, assistant secretary of state for European and Canadian affairs. The testimony was made available Sat-

"Clearly," she said, "Moscow's East European allies do involve themselves as surrogates for the So-viet Union in the illegal acquisition of intelligence and controlled tech-nologies. In taking steps to reduce the espionage threat in the United States, we are mindful of the East European dimension."

The new curbs on some of the East European countries reflect a foreign policy that differentiates between the Soviet Union and its allies, and among the East Europe-

The United States has been applying the most restrictive travel rules to Soviet citizens in retaliation for Soviet curbs on the travel

The Soviet government not only

requires that travel by Americans — and other foreigners — be arranged through official agencies, but has placed about 25 percent of the Soviet territory altogether off limits to foreigners.

In return, the United States has closed about 25 percent of its territory to Soviet citizens, including areas of sensitivity, such as the Silicon Valley computer development area near San Francisco.

Henceforth, four of the Soviet allies — Bulgaria, Czechoslovakia. East Germany and Poland — will have to book travel through the State Department for their diplomats, although apparently no areas have been declared off limits.

A State Department official said that Romania and Hungary have been treated more favorably in recognition of the independence of Romania from the Soviet Union in foreign policy and of Hungary's relaxed domestic attitudes.

In the light of recent espionage cases, some involving East Europe-ans apparently acting on behalf of been introduced in Congress to restrict the number of Soviet-bloc personnel in the United States and to include East Europeans in the restrictions previously placed on the Soviet Union.

The State Department has been concerned that extending the travel restrictions to East Europeans would lead to retaliation against Americans, who now are allowed to travel freely within the East European countries, and thus cut back on the gathering of valuable infor-

"Given the closed and controlled nature of East European societies," Mrs. Ridgway said, "our ability to travel unimpeded by controls or restrictions is of significant value to us. The East Europeans do not impose discriminatory restrictions on travel by U.S. personnel in their countries. Our personnel can travel at will without advance notification

"Hence, in reviewing possible travel restrictions on East European personnel in this country, the challenge to our own interests is

to acquire vital political and eco-nomic information, maintain con-tacts with religious leaders, dissidents, academics and cultural figures, monitor military maneuvers or the installation of new weapons systems, expand opportu-nities for American businessmen. provide the full range of consular services to American citizens in dis-



Andrei D. Sakharov. in a photograph made this fall in Gorki and released by his family. Mr. Sakharov's wife. Yelena G. Bonner, with a grandson, Matvei Yankelevich, at Logan International Airport in Boston after her arrival



Sakharov Is in Good Health, Tass Says

human rights movement in Mos-

In August 1984 Mrs. Bonner was tried on charges of anti-Soviet slander and given a five-year sentence of exile to Gorki, a Volga River city

off limits to foreigners.

The last time Tass issued any information about Mr. Sakharov was in May 1984, when he began a hunger strike to persuade authorities to allow Mrs. Bonner to leave the Soviet Union for medical treat-

At that time, Tass said that Mr. Sakharov was eating regularly, feeling well and leading an active life. According to recent reports, Mr. Sakharoy's hunger strike in 1984 ended only when he was fed by force at a hospital in Gorki. He reportedly suffered a minor stroke at the time.

The Tass report said that Mr. Sakharov had undergone a com-plete checkup at the Semashko rezional clinical hospital in Gorki under the supervision of "highly qualified" specialists.

Mr. Sakharov was following his prescribed treatment "meticulous-Tass said, and his doctors described him as a "model patient."

According to Tass, Mr. Sakharov wrote a note of thanks in the hospital visitors' book, in which he said: "I have no complaints to make about the medical workers of the hospital I am satisfied with the attention and care I receive from attending physician Aminyeva and the medical nurses."

■ Bonner Is 'Very Concerned' Kevin Klose of The Washington Post reported from Boston: Looking strained and pale, Mrs. Bonner arrived in the United States

Saturday and said she was "very concerned and anxious" for he

Mrs. Bonner, who praised Amer-ican support for her husband, said attempt to telephone Mr.

Although Mrs. Bonner refused to say more about her concerns for Mr. Sakharov, her son, Alexei I. Semyonov, said that if Soviet authorities refuse to allow the call to go through, his mother's quest formedical help here "may be point-less. She will be worned too much to have the operation." She is in Boston for treatment of a severe

At Logan International Airport, where Mrs. Bonner arrived from Rome after her glaucoma condition was examined, Mr. Semyonov said that he expected a call would go through by Tuesday.

rage at the report published Saturday by Tass that contended Mr. rrov was in good health.

Calling the Tass account false, Mr. Semyonov accused Soviet doctors of violating medical ethics for knowingly allowing intrusion for political purposes" into their treat-ment of Mr. Sakharov.

Doctors in Gorki "are under the control of the KGB," Mr. Semyonov said. .

Mrs. Bonner was met at the airport in Boston by her mother, Ruth, 85; her daughter, Tatiana; her daughter-in-law, Lisa Semyonov, and three grandchildren. She was accompanied by Mr. Somyonov and her son-in-law, Efrem V. Yankelevich, who both went to Italy to meet her on Dec. 2.

Mrs. Bonner's mother is a survivor of political oppression in the Soviet Union. Her husband was executed in 1937. She reminisced Saturday at her family's home in the Boston suburb of Newton. Massachusetts, about her vears in Stalin's slave labor camps.

"Nothing was pleasant, to be sure," she said. "We survived, and here I am to talk about it." Ruth Bonner spent about 17

years in labor camps, prison and in tain tightly repressive internal con exile after her husband's execution. trol and follow Moscow's lead.

Shultz Says **Trip Shows** Support for East Europe

By John M. Goshko Washington Fost Service
WASHINGTON —Secretary of State George P. Shultz, who is to leave Monday night on a 10-day European trip, said he believes his visits will show that the United States acknowledges and supports the individual "identities and aspi-

rations" of the countries of Eastern His trip is to include stops in Romania. Hungary and Yugosla-

The United States and its allies have always insisted that the division of Europe is artificial, unnatural and illegitimate," Mr. Shultz said Friday at a news conference. Romania and Hungary are members of the Soviet-dominated Warsaw Pact; Yugoslavia is an independent Communist nation that

pursues a policy of nonalignment. Mr. Shultz said: "The peoples of the eastern half of the continent did not choose to be cut off from the peoples of the West. If there are to be more constructive East-West relations, they too must share in its benefits."

"I think it is helpful to us, and I hope to them," he added, "to hear from the United States what our view is of East-West relations and on arms control matters and matters across the board. This is an opportunity for me to do it. I've nted to do it for some time, and this is the first real chance that I've

State Department officials, elaborating privately on Mr. Shultz's remarks, cautioned that they should not be interpreted as an attempt, after last month's Geneva summit meeting, to sow dissension in the Soviet bloc or to encourage East European governments to make any dramatic assertions of ndependence from Moscow.

Instead, the officials said, Mr. Shultz's trip is intended as a lowkey reaffirmation of the Reagan nistration's contention that it does not recognize the Soviet Union's hegemony over Eastern Europe as a permanent condition. Administration officials tend to divide the East European countries.

into two categories. Hungary, Romania and Yugoslavia either pursue relatively flexible domestic economic and social policies or have shown some independence in foreign affairs.

Poland, Czechoslovakia, East Germany and Bulgaria, by contain tightly repressive internal con-

With Dismissals, Poland Hardens Line on Schools

By Jackson Diehl Washington Post Sernee
WARSAW - The dismissal by

the Communist authorities of about 70 university rectors and deans has prompted protests from students and faculty members and signaled a toughening approach by the government of General Wojciech Januzeiski to the nation's rebellious intellectuals.

Acting on recommendations of Communist Party cells, Education Ministry officials dismissed six rectors, the top university officials, and removed dozens of deans charged with individual schools and administrative affairs in 15 of Poland's 91 universities.

Although carried out more than a week ago, the actions were confirmed only Friday night by the official news agency PAP.

The dismissals followed a con-troversial higher education law enacted this summer that drastically curtailed the role of students and faculty members in university decision-making, reintroduced political criteria into course work and required professors to take loyalty

University teachers, students and opposition intellectuals said the law was meant to end independent activity in Poland's schools, and that the dismissals may mark

the beginning of an extensive purge of intellectuals. The firings are a kind of test to see what will be the reaction of society," said Bronislaw Geremek. a medieval historian and adviser to the outlawed trade union Solidarity, who was dismissed from the Academy of Science earlier this year. "If there is not much reaction,

getting control over all intellectual circles through aggression." Several university senates, made up of student, faculty, and university worker representatives, met last week to criticize the dismissals. But students in Warsaw decided not to stage a strike, fearing they would not attract enough active public support to win a confrontation

they will move into a new phase of

with the authorities. "It is simply not a good time in the country to start a student strike," said a university source active in the talks. "But if the authorities push further now they will be

risking a united response. Government officials have said the new university law and the dismissals were steps to improve efficiency and restore the "socialist character" of education.

Faculty members and political analysts say that General Jaruzelski is intent on restoring Comcial institutions before a party congress early next year. The Polish

party's lack of control over intellectual circles and cultural activities remains one of its most glaring failings by the standards of the Soviet -

bloc, they said. "The authorities know the intelligentsia has a tremendous impact: on the social climate." Mr. Geremek said. "And the spirit of freedom in the Polish people is first of . all, they think, connected to the 7

intelligentsia." Most of the deans and rectoradismissed last week were politicalindependents or Solidarity sympathizers who had been elected by senates and hoped to keep the universities somewhat autonomous from the Communist party and

Under the new law, the ministerof education was given blanket authority to dismiss administrators and appoint new ones. In the fupower to veto rector candidates nominated by the senates.

U.S. Criticizes Soviet but Denies **Boycott of Nobel**

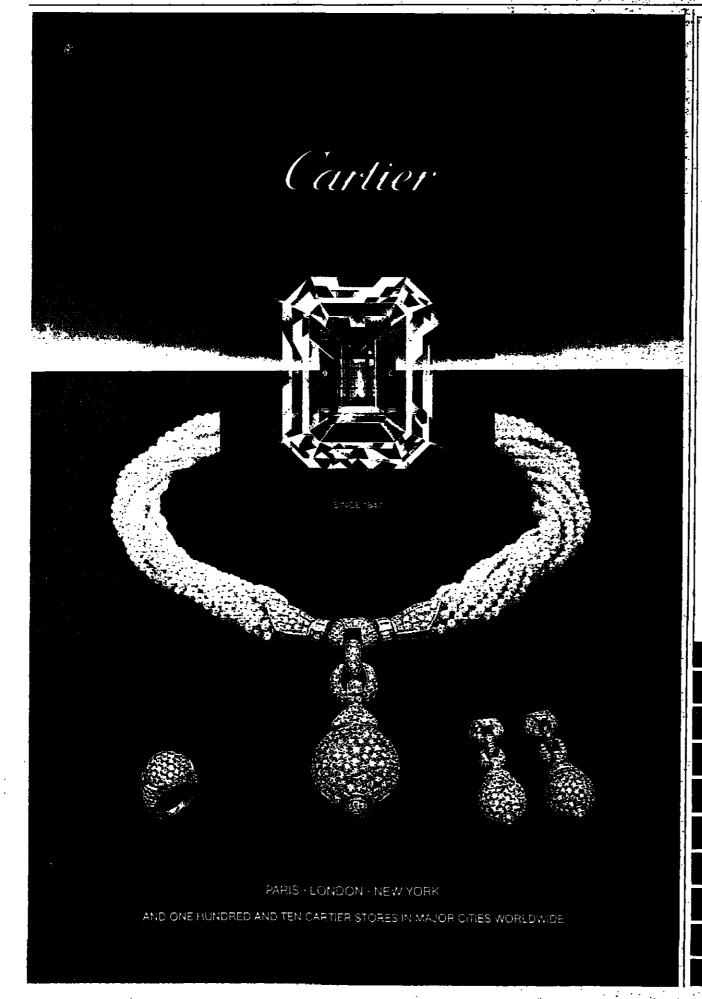
WASHINGTON - The State

Department has denied that the scheduled absence of the U.S. ambassador to Norway at an award, ceremony for the 1985 Nobel Peace. Prize amounted to a boycott. The award, won by the Interna-

tional Physicians for the Prevention of Nuclear War, has been critiscized in the West because of alleged. Soviet human rights abuses. The prize is to be awarded Tuesday to he co-chairmen of the group, Dr.: Yevgeni Chazov of the Soviet Union and Dr. Bernard Lown of

A department spokeswoman; Anita Stockman, said Saturday that the U.S. ambassador, Robert D. Stuart, would not be in Oslo during the awards ceremony. Asked if this represented a boycott, she said, "It just happens that be's not going to be there." She said that the U.S. charge d'affaires would attend in his place.

The State Department said, "We believe the efforts of Dr. Lown and other nongovernmental international participants who state their views and publicize them throughout the West are a sincere effort to grapple with difficult issues. The same cannot be said for Dr. Chazov, who is an official of the-U.S.S.R. and cannot take public positions not sanctioned by his.





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Barriers Remain for U.S. and China, East, West Potter Stewart, Former U.S. Justice, Dies But Relations Are 'Steady,' Wu Says Join At UN

The Associated Press

ing Committee for Multilateral Export the motherland, turning it motes as a content of the United States still committee clears technically so regarded Beijing as a potential adphisticated Western exports to versary and that barriers remained to committee countries.

The Associated Press

ing Committee for Multilateral Exports the motherland, turning it into a strong socialist power," said Li Peng deputy prime minister and a Politiburo member. He said that we resary and that barriers remained to committee to committee the content of the content of

Polithuro, said that overall devel-Polithmo, sand that overall development of relations between China comment of resource bear been and the United States had been "quite steady" this year, and that China "deeply appreciates" grow-China deepay appreciates a sing cooperation with Japan.

But he cited the Taiwan issue and U.S. export restrictions as re-

maining obstacles with Washingand technology transfer should

b. Mr. Wn said he welcomed the United States's decision in October to relax restrictions on exports of high technology to China, as morn-tored by COCOM, the Coordinat-

By Ihsan A. Hijazi

New York Times Service

A bill giving the government the

The authorities were reported

earlier to have rounded up 250 members of the Moslem Brother-

BEIRUT — Jordan has begun

imposing tight restrictions on Mos-

growing tendency on the part of

Arab governments to suppress reli-

Prime Minister Zaid al-Rifai, ac-

Prime Minister Zana Service Am-

shood, a fundamentalist organiza-

The reported sweep came after a

pledge by King Hussem last month that Jordanian territory would nev-

er again be used as a base for fun-

-damentalist extremists operating

edged that such activity had oc-

against Syria. The king acknowl-

curred in the past, but said he had

Hussein made the gesture to re-

move strain in Jordan's relations

with Damascus and to clear the

Now the Syrian prime minister,

..... lysts say the Jordanian measure is

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Abdul Raouf al-Kasm, is due in Amman soon, and political ana-

not known about it.

gious extremists.

Denger ...

out Des Jordan Moves to Restrict

i of \d Moslem Fundamentalism

dinns, the official Xinhua news ister, Mikhail S. Kapitsa, has held fagency reported Sunday. "frank" talks with Chinese offi-Grands are controlled Sunday. Start ister, Mikhaul S. Kapusa, nas issaufagency reported Sunday. Foreign Minister Wu Xueqian, a cials, including Mr. Wu, on normalizing relations between the two countries, Xinhua said Saturday, Reuters reported from Beijing. Foreign diplomats said the statement's wording suggested that the talks had made no progress.]

■ Leaders Address Students

The Chinese government sent several of its top leaders Sunday to tell a convocation of university students that they should follow the leadership of the Communist Party and concentrate on their studies rather than on political demonstrations and protests, the Los Angeles Times reported from Beijing.

"Today's central task is to recon-

To Condemn *Terrorism*

New York Times Service

Mr. Li, the adopted son of Zhou UNITED NATIONS, New Enlai, the former prime minister. York - The United Nations Gendelivered the keynote speech on beeral Assembly has voted overhalf of the government at Beijing's whelmingly to condemn acts of in-Great Hall of the People.

About 6,000 students attended ternational terrorism as "criminal."

It was the first time that a resoluthe 50th anniversary of the Dec. 9, tion dealing with terrorism had been passed by the Assembly. 1935, demonstrations by students in Bering against Japanese aggres-

The vote was 118-1, with Cuba voting against the measure. Israel and Burkina Faso abstained Iran was among the 37 nations that did not vote.

The Warsaw Pact countries, as well as Nicaragua and some Arab nations, including Syria, supported the resolution although they criti-cized it because it did not specifically condemn "state terrorism." That term has been used in UN debates to describe American support of the rebels in Nicaragua and Îsrael's raids into Arab territory.

The resolution, which was passed Friday, "unequivocally con-demns, as criminal, all acts, methods and practices of terrorism wherever and by whomever committed, including those which jeopardize friendly relations among states and their security."

It also calls on "all states to fulfill their obligations under international law to refrain from organizing, instigating, assisting or participating in terrorist acts in other states, or acquiesting in activities within their territory" toward

■ U.S.-Soviet Effort Reported

A British newspaper said Sunday that the United States and the Soviet Union were close to agreement day.
on a joint campaign to combat ter-

The Sunday Times said the two governments were expected to ex-change letters pledging action

Mitterrand Denies Reports on Future Of Prime Minister

the official ceremonies in honor of

Since last year, Chinese students

have put up posters and staged sev-eral demonstrations to protest poor

conditions on campus, against what was termed a second inva-

sion" of China by Japanese con-

sumer goods. They have also pro-tested the inflation and corruption

that have accompanied China's

termination to keep the fundamentalists in check. Over several years, the Moslem Brotherhood had engaged in a violent campaign against the Syrian president, Hafez al-Assad, and, early in 1982, the Syrian Army broke the back of the organization in Syria by attacking it in the city of

A bill giving the government the right to monitor sermons at Hama, its stronghold.

A presidential decree Damascus early this ye clemency to Moslem B A presidential decree issued in Damascus early this year offered clemency to Moslem Brotherhood activists who repented, and as many as 300 have accepted. Many had been living in Jordan, where they had operated training camps

> After the fighting at Hama, about 50 Syrian Moslem fundamentalists took refuge in the port city of Tripoli in northern Lebanon. Reports in the Beirut press said they went into hiding after Syrian troops were deployed there in October.

The arrival of about 1,000 Syrian soldiers backed by tanks, as well as the re-establishment of positions for Lebanese leftist factions backed by Damascus, sharply cut funda-mentalist influence in Tripoli, In eastern Lebanon, according to

way for a recent visit to Syria by
Mr. Rifai. a French-language daily newspa-per, Le Réveil, tension has been growing between Syriam troops and Shiite Moslem fundamentalists who are members of Hezballah, or Party of God, which is linked to intended to reassure Syria of a de- Iran

PARIS — President François Mitterrand has personally ended speculation that Prime Minister aurent Fabius might be about to resign or be replaced.

Mr. Mitterrand said in a television interview Saturday that their "harmony of action and thought covered practically every field." He asked: "Why do you want me to deprive myself of a good govern-ment and a good prime minister?"

The statement apparently was intended to stop rumors that Mr. Fabius would resign after a dispute with the president over the visit to Paris on Wednesday of the Polish leader, General Wojciech Jaru-

Mr. Fabius voiced disapproval of the meeting and told the National Assembly that he had not been consulted about the trip.

Russians Admit to AIDS Cases

MOSCOW - The Soviet Union has acknowledged for the first time that cases of AIDS have appeared

here, but contended that the number of victims is fewer than 10. The disclosures, in an article Saturday in the cultural newspaper So-vietskaya Kultura, reversed official reports two months ago that there

are no Soviet AIDS cases and that

conired immune deficiency syndrome results from Pentagon-inspired experiments.

The article made clear for the first time to Russian readers that the disease mostly affects homosexuals and drug users, two social groups hardly ever mentioned in public. Both homosexuality and drug use are illegal in the Soviet

By Al Kamen

Washington Post Service
WASHINGTON — Potter Stewart, a pragmatic, nonideological Supreme Court justice whose mastery of internal politics made him a major force on the high court for 23 years until his retirement in 1981, died Saturday in New Hampshire following a stroke Dec. 2. He was 70 years old.

Justice Stewart retired from the court at a relatively young age, 66, saying he wanted to spend more time with his grandchildren. He was replaced by Justice Sandra Day O'Connor. He is survived by his wife, Mary

Ann, a daughter and two sons. Reacting to the death, Chief Justice Warren E. Borger said Saturday, "For more than two decades, Justice Stewart gave dedicated and distinguished service to our country, first on the Court of Appeals. and then on the Supreme Court.

"His death removes a splendid jurist from the bench," he said. We moun his loss." Most experts believed that Justice Stewart's most important con-

tribution to the Supreme Court lay not in the theories that he propounded, but in building consensus chind the scenes. They also cited his commitment to considering each case objectively, an approach in which he took great pride.

Amouncing his retirement in 1981, he said: "I think it is the first

duty of the justice to remove his own moral, philosophical, political and religious beliefs and not to think of himself as some great philosopher king and apply his own

Potter Stewart

Justice Stewart, a moderate Re-

publican appointed by President

Dwight D. Eisenhower in 1958, generally sided with conservatives

when he first joined the court. He

dissented from many of the liberal rulings under Chief Justice Earl

Warren, especially those extending

He disagreed, for instance, with the court's Miranda ruling, which

required police to warn suspects of

their right to remain silent and to

But as the court drifted to the

have a lawyer represent them.

federal court power to increase sus

pects' rights.

Working 18 hours a day, he took two months to write a biography of his friend T. E. Lawrence, "Law-rence and the Arabs." The book was selling at the rate of 10,000 copies a week by Christmas of 1927.

The biography brought him the financial success that his poems had lacked, for all the critical acclaim that they received. Mr. Graves and his wife had two

daughters and two sous, one of whom would be killed in Burma in World War II. But the marriage was an unhappy one and ended in

His second marriage, to Beryl Pritchard, daughter of Sir Harry Pritchard, produced three more sons and one daughter. In 1929 he took the advice of

Gertrude Stein and moved to Majorca, the largest of the Balearic islands, to find the right atmosphere for his work. Except for the years of the Spanish Civil War and World War II, he lived in the small, flowering hillside village of Deya until his death

Before departing for his Mediterranean retreat he wrote an antobiography, "Goodbye to All That,"

Mr. Graves was severely wounded in 1916. He recovered, but the Vote to Be First in '88

BATTLE CREEK, Michigan -Michigan will be the first state in the United States to begin the 1988 presidential nomination process under a plan approved by the state Republican Party.

Precinct delegates will be elected in August 1986 to county and conional district conventions, to be held in 1987. Those conventions will choose delegates to the state parley in January 1988, which will produce delegates to the national

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as a moderate or liberal, especially on civil rights and social issues. He joined the court's opinions striking down government aid to parochial schools and its 1973 ruling that legalized abortion.

Justice Stewart's most famous quotation reflected the court's difficulties in dealing with laws on obscenity. He admitted in a 1964 case that he might never succeed in defining "hard-core" pornography, and then added, "But I know it when I see it."

Shy and somewhat patrician, he was born in an established, well-todo, Cincinnati family. His father, a Republican, served as mayor and later on the Ohio Supreme Court. After attending a private East Coast preparatory school, Hotch-kiss, and Yale University, Justice Stewart returned to Cincinnai to

practice law. He was a member of the city council and a vice mayor in the early 1950s. He was the youngest federal idge in the country when Eisenhower appointed him to the 6th U.S. Circuit Court of Appeals in

1954. Eisenhower gave Justice Stewart a recess appointment to the high court in October 1958 and formally nominated him in January Burr Tillstrom, 68, Creator Of TV's Kukla, Fran & Ollie'

PALM SPRINGS, Calif. (AP) -Burr Tillstrom, 68, who created the children's television show "Kukla, who wrote the Amazing But Fran & Oilie," died Friday at his

But as the court drifted to the right under Chief Justice Burger, bucktoothed dragon, a little bald Florida.

clown and a gracious hostess, de-lighted millions of families and was credited with building an audience for television when it was a new

The show ran from 1947 to 1957 and was followed by reincarnations as late as 1976. It brought Mr. Tillstrom three Emmy and two Peabody television awards.

Margaret Strong de Larraia, 88, a chilanthropist and the only surviving granddaughter of John D. Rockefeller Sr., Monday in Ma-

Aniello Dellacroce, 71, identified by federal and local investigators as the No. 2 leader of the Gambinos, the largest of New York's five Malia families, Dec. 2 at a hospital that was not iden-

Philip S. Bernstein, 84, a rabbi who helped about 200,000 Jews resettle after World War II. on Tuesday in Rochester, New

Loris Fortuna, 61, an Italian minister who defied the Vatican by ushering in Italy's first divorce law and sponsoring legislation to make abortion legal, Thursday

in Rome. Walter Please, 109, the oldest military veteran in the United States, Thursday in Lebanon,

Doug Storer, 86, a radio pioneer True newspaper column and helped the early careers of many

Jesus. The book asserted that Jesus

out a natural life as a Jewish lay-

The following year, Mr. Graves

"A remarkable thing about

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had not died on the cross, but lived

Robert Graves, Poet and 'I, Claudius' Author, Dies

UPI/1976

rank him among the finest practitioners of the English language tohis life.

He stood apart from fashions rorism, Reuters reported from and never quite secured a central position in the pantheon of poets who emerged in the 1920s and 30s.

But from the 1950s onward, an increasing number of younger poets and younger readers saw in his work an important alternative to the Eliot and Auden tradition. Mr. Graves, who fractured his nose by tackling low in a rugby

game, had a rugged, athletic look that lasted well into old age. More than six feet (1.83 meters) tall, he had deep-set gray eyes, a high fore-bead, white hair and a large, arresting head. He usually was deeply tanned from the Majorcan sun.

Robert von Ranke Graves was born in London on July 24, 1895. His father was Alfred Perceval Graves, an Irish poet and ballad writer. His mother, Amy von Ran-ke, was the daughter of a German professor of medicine and was directly related to Leopold von Ranke, the great German historian.

When war broke out in Europe. the young Mr. Graves joined the Royal Welsh Fusiliers and served as an officer in the same regiment as Siegfried Sassoon, who inspired fore the war was over, he had published three volumes

agonies he had witnessed as a platoon and company leader in the front lines scarred him for life. The war, he said later, changed

his entire outlook on the world. He joined those who felt that his generation had been sold by generals and men of wealth. ·He attended Oxford after the

war and married Nancy Nicholson, the daughter of Sir William Nichol-

Mr. Graves received his bachelor of literature degree in 1926 and was appointed professor of English lit-erature at the newly founded Egyp-tian University in Cairo. Returning

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to England in 1927, he vowed never his experiences in the Great War - challenged widely accepted relisome horrifying others comic — gious dogma with its bold but eru-made an enormous impression on a dite interpretation of the life of to take another job for the rest of reading public that was just beginning to come to terms with the realities of the war.

Fifty-six years later, it has lost man. none of its impact and generally is regarded as a classic.

"I, Claudius," which appeared in scholars of poetic myth with "The 1934 and won him the Hawthorn- White Goddess," in which he

characters.

den Prize, made him a novelist of traced the cult of the lunar materstature. The book and its sequel, nal deity in Europe.
"Clandius the God," which won the James Teit Black Prize, were speare's "Much Ado About Nothhailed as brilliant reconstructions hailed as brilliant reconstructions ing" by replacing now obscure Eliz-of Roman times. Mr. Graves had abethan words and phrases with succeeded in breathing extraordi- others that are easily understandnary life into an ancient cast of able today.

A later novel, "Count Belisariwon the Femina-Vie Heureuse

"King Jesus," published in 1947, very good."

Shakespeare," he said at the time, "is that he is really very good in spite of all the people who say he is

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BUSINESS/FINANCE

WONDAY, DECEMBER 9, 1985

FUROBONDS

Interest-Rate Uncertainty Drives Investors to Cover

By CARL CEWIRTZ tional Herald Tribune

ARIS — Year-end doldrums, arriving a bit earlier than usual, supped the Eurobond market last week. Institutional investors abandoned the market, preferring to tioual investors abandoned the market, preferring to busy themselves preparing their end-of-year reports rath-er than trying to guess where the market is headed.

The universal view is that interest rates are ultimately headed

lower. But that is not seen as happening immediately, thus there is no compulsion to rush into making new commitments now. In addition, between now and the time rates do drop, there is a fear there could be an upturn.

The current inversion of the interest-rate yield curve is feeting **Eurobond Yields**

U.S.S is term, int'l inst.
U.S.S tons term, ind.
U.S.S medium term, ind.
Cons. medium term
French Fr. short term
Sterling medium term.
Yen medium term.

ECU long ferm

EUA long term _____ LuxF med term Int'l inst. LuxF medium term _____

Market Turnover

For Week Ended Dec. 6 (Millers of U.S. Dollers)

10.62 % 10.76 % 10.54 % 10.29 % 6.47 % 6.72 % 8.75 % 9.21 % 8.88 % 9.87 % 9.25 %

this fear. Since the middle of November the yield curve has been flat — with identi-cal charges on the cost of one- to six-month Eurodoihars. But last week, the curve inverted, putting the cost of one-week to two-month funds, 8 3/16 percent, above the charge on three- or sixmonth money, 8% percent.

Even though this inversion

is seen to be due to tempofary factors, it unnerves the market because it is an unnatural state of affairs. Some analysts link it to year-end bookkeeping maneuvers, some to the bunching of U.S. Treasury financings.

Whatever the reason and flowever temporary it may be, the inversion caused serious discomfort in the floating rate

flote market - particularly on the mis-matched floaters. . The height of popularity for this paper occurred when the onemonth Eurodollar rate was more than 2 percentage points lower than the six-month rate. By tying the interest payment to the six-month rate and adjusting it monthly, mis-match FRNs allowed banks buying this paper to pocket as profit the difference between their own borrowing costs and the income from the

This has now reversed. As foreseen in such circumstances, the coupons fix for six months at the lower rate - permitting holders to borrow six-month funds and bring their borrowing costs into fine with the income from the paper.

. But holding that paper now is not very profitable. The margins over the interbank rate are thinner than on normal FRNs. In addition, the banks are now holding paper that yields less than if the money was invested in a one-month instrument.

HIS ALSO affected the fixed-coupon sector as the increasing short-term rates offered an attractive substitute for bonds yielding scarcely more. Investors clearly preferred to park their money in the deposit market and retain their

The best example of this was Citicorp's \$150-million of threeyear, 9%-percent notes priced at 101% to yield 8.88 percent. Why lock into a three-year commitment when a one-month deposit fetches an annual equivalent of 8.19 percent?

The market also registered its fatigue with bonds with wedded options — warrants that can be exercised only by surrendering callable paper to buy a noncallable issue. Monsanto issued \$100

million of five-year, 9%-percent callable bonds at 100% and warrants, at \$11, each, to buy noncallable bonds.

Analysts mass? that if these warrants have any real valuest is for the period after the exercise can be effected with each. In the Monsanto issue, that is after three years. But then, the remaining life of the bond the warrant can buy is only two years. And that is deemed as too short to have any real impact on the value of the warrant.

true for the five-year warrants offered by Merrill Lynch to buy, starting in 1989, 10-percent bonds mataring in 1990. Ditto for the put warrants it offered on the U.S. Treasury's 9%-percent bonds due 1990.

Dart & Kraft did better, offering \$100 million of 10-year, 10%-

percent bonds at 1011/2. In this case, holders of warrants have a five-year period to exercise for cash - but even here the issue languished for lack of support.

The only fixed dollar issue to buck the trend was InterAmerican Development Bank's \$200 million of 10-year noncallable paper issued at par bearing a coupon of 9% percent—a reflection of the market's current preference for noncallable paper from sovereign or supranational borrowers.

But whatever real interest there was to make commitments now was clearly reserved for equity-linked issues. Samsung Electronits, the first South Korean company to make a foreign equity offering, initially fared well trading at par to 102. But the closure (Continued on Page 10, Col. 4)

Last Week's Markets All figures are as of close of trading Friday

Stock	Inde	exes		Money Rates		
United State				United States	السائلار السائلار	Prov.Na
D3 Indus	1477.18 145.57 693.59 196.92 202.98 116.58	164.03 690.31 195.63 202.18	Cargo +0.34 % +0.94 % +0.46 % +0.66 % +0.40 % +0.37 %	Discount rate Federal funds rate Prime rate Japan Oiscount Call maney West Germany	792 774 992 81/16 894	7% 9 9% 5 7% 8%
	1399.50 7176.40		2.76 % 2.21 %	Lombord	550 4.65 4.90	5.50 4.60 4.85
	1721.89	1716.95	+028%	Bank base rate Call money	NA NA NA	11/2 11/2 11/2/11
Vikkel DJ 12		12763.36	+0.24%	Dollar Last W Bix Engl Index127.11 Gold	126-30	+0.63%
Commerzbk 1	1726.00		+0.02%	London p.m. fix.\$ 322.3	325.30	-0.93 9

Currency Rates

I	ross R	ates							E	ec 6	
	msterdom Tuseis(a) Tuseis(\$ 2,8415 51,3825 2,524 1,4775 1,721,00 7,70 203,60	2.541.16 2.541.16 2.541.275 391.32	D.M. 112.54 * 20.3775 	F.F. 26.905 = 6.695 32.76 = 11.989 271.61 7.7045 	11.1. 1160 • 1290 • 1,465 x 2,5630 1,722,00 4,674 x 11.63 •	Gldr. 18.10 86.54 * 4.2086 605.58 2.74 2.712 71.62 74.64 *	550 550 750 750 553 553 1437 3440	S.F. 125.03 * 24.450 126.65 * 3.111 219,40 2.196	Yen 139,74 y 25,25 *	-
	ECU SDR	2309 2873 1.97931	3.1074 0.5913 0.73854	2,7839 2,75194	6.726 8.39539	1,553.23 N.Q.	2,4992 3,8981	41.00g 56.0229	1.834E 2.2935	177.567 221.478	

islans in Landon and Zurich. Eximus in other European conters, New York rates at 4 P.M. u) Commercial franc (b) Amounts needed to buy one gound (c) Amounts needed to buy one place (*) Units of 100 (x) Units of 1,000 (y) Units of 18,000 N.Q.: not quoted; N.A.: not grallobte

Mher Dellar	Values		
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rces: Banque du Benelur. (Brussels); Banço Continerciale (tallana (Allian); Ban ale de Parle (Parle): Bank of Tokro (Takyo); IMF (SDR); BAII (dinor, rival, d bank (ruble), Other data kran Rauters and AP.

U.S. Automakers Graduating to Plastics

By John Holusha New York Times Service

DETROIT - When Detroit decides to design a more expensive version of a popular car, it usually means that the new model will have a few bits of additional chrome and a phisher interior. Pontiac's plan for the new Fiero GT, a high-priced offspring of the successful Piero two-seat sports car, was dramatically different,

Thanks to the Fiero's unique construction - a plastic skin of outer body panels attached to an independent steel "space frame" — the General Motors Corp. division was able to retool quickly and at relatively low cost to change the styling from a chopped-off "notchback" look to a more streamlined "fastback." GM officials and many others

in the auto industry are convinced that clearly differentiated styling approaches are going to be critical to the future success of specialty cars like the Fiero, and family cars as well. And, they say, plastic is going to be critical to that effort.

Detroit was first attracted to plastic because of its lightness, which made it a key ingredient in the push to improve fuel econo-my. But now that the automakers are turning their attention back to styling, plastic seems headed for a major design role. And ulti-mately, the designers say, the high-stress, high-strength quali-ties of composite plastics — ad-



A Pontiac Fiero's plastic skin is attached to the frame at GM plant in Pontiac, Michigan.

vanced chemical compounds available in a dizzying number of variations — will be put to use structurally.

One approach under close study is taking the hundreds of pieces of metal that are typically welded together to form a car's shell - the internal structure and outer body panels — and reduc-ing them to a few large, complex shapes made from reinforced

"In the 1990s, we are going to see the use of structural compos-

ites in automobiles," said Joseph Reed, an executive at General Electric Co.'s Applications Development Center in Southfield, Michigan. "A reduction in the number of parts on a car is a real goal of the American auto indus-

For now, some large companies, including GE and Du Pont Co., are rapidly expanding their engineering facilities in the Detroit area to take advantage of what they see as the coming boom in plastic-skinned vehicles. Ow-

eas-Coming Fibergias Corp. re-cently predicted that the auto in-dustry's use of fiberglass composites, just one kind of plastic, will increase to 450 million pounds (203.8 million kilograms) a year by 1990, from 275 million pounds this year.

GM appears to be well in the lead, ahead of Ford Motor Co. and Chrysler Corp., in the use of the plastic body panels. The replacements for the current Chev-(Continued on Page 10, Col. 4)

U.S. Demands EC Telecommunications Opening

By Axel Krause

STUTTGART - Some members of the European Community may face restrictions on their exports to the United States if they do not accelerate the opening of their telecommunications markets, Clayton K. Yeutter, the U.S. trade presentative, has warned. Mr. Yeutter also said in an inter-

view Saturday that the United placed high on the agenda of General Agreement on Tariffs and Trade talks that have been proposed for early 1987. About 90 countries would take part in the talks under GATT, the Genevahased trade monitoring agency.

Mr. Yentter, who was beginning a West European trip that included stops in Geneva, Rome, Paris and Brussels, said he would formally appeal for an opening of West Enkets during his tour.

In recent years, American Telephone & Telegraph Co., Interna-tional Telephone & Telegraph Corp. and International Busin Machines Corp. have established substantial markets in Western Enrope, and AT&T and IBM have made alliances with other compa-

But many other U.S. compar - Mr. Yeutter called them "the outsiders" - are absent from the West European market and are

"As part of the process to improve market access for our indus-tries," Mr. Yeutter said, "we must munications and postal agency. get started on opening telecommunications markets now, and

"The philosophies of Mr. Bange-mann and myself about free and fair trade are nearly identical," Mr. Yeutter said. "But they do not apply to everyone else in Western

Mr. Youtter referred to repeated demands by Washington that Bonn

now pressing the U.S. administra-tion for help to enter. accelerate and expand plans to lib-eralize restrictions against U.S. companies maintained by the Bunmunications and postal agency.

Meetings last Tuesday and Germany should set the example.
He was speaking after a meeting opening the West German telecommunications market "solved virtually nothing," a U.S. trade official said in Bonn. "Mr. Bangemann, a Uharal on trade, is by no means the Wednesday between West German only influential voice in the Ger-

> Mr. Yeutter warned that the adinistration was considering retaliation against West Germany for (Continued on Page 10, Col. 1)

Fed Votes Curbs In Use of Debt **For Takeovers**

By Robert D. Hershey Jr. New York Times Service

WASHINGTON - A divided Federal Reserve Board, which has expressed fears that the corporate financial world has become topheavy with debt, has proposed to curb a debt-financing device that has been widely used in the latest wave of hostile corporate take-

The board, by a vote of 3 to 2, proposed Friday that, in a typical hostile takeover bid, the use of debt be limited to half of the purchase

price of the target company.

The effect of such a requirement. which the board wants to put into ffect on Jan. 1, would be to curtail buyouts in which the investor or

group that seeks to take control of a company puts up almost no cash. What the board proposed was to apply its 50-percent stock market margin requirement to the issuance of debt in the typical hostile takewould have to put up at least half the purchase price in each or other

After a comment period of about two weeks, the board hopes to adopt the regulation as applicable to agreements reached after Dec.

All of the implications of the proposal were not immediately clear. But there was general agreement that the main impact would be on unfriendly takeovers by companies seeking to swallow compa-nies considerably bigger than

A Wall Street banker who has specialized in hostile takeover bids and a lawyer who handles such matters both forecast privately that the Federal Reserve's proposal would set off a rush of activity for the rest of December as acquirers scrambled to beat the proposed Jan. 1 effective date.

Although the board said that it was not motivated specifically by its fears that the financial system had become overly dependent on credit, its general counsel, Michael Bradfield, commented Friday evening that "margin requirements are supposed to prevent the leveraging of the economy."

limit the use in corporate acquisitions of so-called "shell" corporations created specifically to serve as the vehicles for takeovers.

Page 9

Its plan sets up a presumption, which would be rebuttable on a case-by-case basis, that when a shell corporation issues debt securities to buy the stock of a target commany, the debt is indirectly secured by the stock to be acquired and is therefore subject to the Fed's

margin requirements. One prominent casualty of the new rule would probably be "entrepreneurial" takeover operators who rely heavily on credit to pursue their targets, which are often much bigger. One such prominent figure is T. Boone Pickens, the Texas oil man who on several occasions has employed the shell-corporation de-

Asbestos Accord Set for Manville

New York Tones Service NEW YORK - A represen tative of one of the key groups with asbestos-related claims against Manville Corp. said he had reached "complete agreement" on a plan that would allow Manville to emerge from

bankruptcy proceedings. Leon Silverman, a lawyer who represents any future plaintiffs with health-related claims, announced the accord Friday at a U.S. Bankruptcy Court hearing in New York. He gave no details on the plan, which must be approved by other claimants and by the

But it was seen by participants in the case as a step toward allowing Manville to begin operating again without protection and to start paying persons who were injured by exposure to asbestos, Manville filed for protection in 1982, after more than 16,500 suits had been filed asking for damages of more than \$12 billion.

New OPEC Approach **Threatens Lower Prices**

By Bob Hagerty
stemational Herald Tribune

GENEVA --- The Organization of Petrolsum Exporting Countries agreed late Sunday on a shift in strategy that threatens to depress

OPEC appointed a six-member committee to work out details, but the general idea idea is to price oil heaply enough so that OPECs 13 pers can sell at least 16 million barrels a day on average. That means formally abandoning rigid means formally abandoning rigid official prices, which OPEC has been unable to enforce in a glutted market, despite repeated produc-

Several ministers and delegates acknowledged the likelihood of a

drop in prices if OPEC does not cut back in periods of weak demand. But they said members, already struggling with austerity programs, lacked the political will to reduce "We are not willing to lose market share to non-OPEC producers

anymore," a senior delegate said. Algeria's minister, Belkacem Nahi, earlier Sunday resisted the new strategy in what one delegate described as an angry exchange with Sheikh Ahmed Zaki Yamani, the Sandi minister. Mr. Nabi argued that OPEC's rules forbade a policy of charging free-market policy of charging free-market prices, but Sheikh Yamani dis-missed that view as "theoretical," given that most OPEC crude has been sold below market prices in

Ministers said that there would be no final decision on details of the new strategy at this meeting, expected to end Monday. They said OPEC is likely to meet again in February or March.

The most important choice, observers here said, is how much OPEC should aim to produce. The group's share of the market in the to about 35 percent from 60 percent in 1979.

At present, OPEC is producing an estimated 17.5 million to 18.5 million barrels a day, taking advantage of a seasonal rise in demand to exceed its self-imposed ceiling of 16

Venezuela has argued that OPEC should try to cut back to about 16 million. Others have called that impossible; several members producing above their quotas — such as Iraq, Nigeria and Ecuador - have openly said they do not intend to cut back.

Nigeria has made enough sacrifice to promote the ideals of OPEC," Tam David-West, the Nigerian minister, said in a pugna-cious press release. Saudi Arabia, which used to take responsibility for the bulk of the output cuts, told

give up a single barrel of its quota of 4.35 million, delegates said.

Some delegates argued that OPEC should produce 18 million or even more. "For the first time I see a mood of being very aggressive," a delegate said. "People are saying, 'O.K., let's show them a lesson,' " a reference to producers outside OPEC, such as Britain and Norway, whose North Sea output has risen in recent years. has risen in recent years.

OPEC members would like to scare Britain and Norway into restraining production. The Nigerian press release was headlined "Da-vid-West Squares Up for North Sea" and promised to "meet the threat posed to the Nigerian crude by the North Sea oil barrel by barrel and cent by cent."

But most delegates seemed hesi-tant to raise output much higher for fear of setting off an uncontrollable

If oil producers continue to flood the market, Sheikh Yamani said, prices will "come down drastically" from the current range of about \$25 to \$30 a barrel for most grades of

Renewing previous warnings, he added: "It will be very hectic. One day it will be below \$20, one day you will find it \$23, \$24. It's like any commodity in the market. "I think it is very frightening for the consumers," he said.

Jaguar Is Fined \$6 Million in U.S.

Compiled by Our Staff From Disparch WASHINGTON - The U.S. government has fined Jag-uar Cars Inc. \$6 million for importing 28,318 cars in 1983 and 1984 that failed to meet federal fuel economy standards.
The National Highway Traffic Safety Administration said

Friday that it was the first penalty imposed under a 1975 law subjecting a manufacturer to a fine of \$5 for every tenth of a mile per gallon a car falls below the fuel economy standard. That number is multiplied by the number of cars involved. The imports in question had average consumption of 19.2 miles per gallon in 1983, when the standard was 26 mpg, and 19.4 mpg in 1984, when the standard was 27.

Jagnar said in London that it had made provision to pay the fine, payable in 15 days. "If you want to sell luxury cars in the United States, then this is something you just have to accept," a spokesman said. (Reuters, AP)



HUNGARIAN INTERNATIONAL BANK LIMITED

LONDON

The Board is pleased to announce for the year ended 30th September 1985, a pre-tax profit of £6,185,457. Extracts from the consolidated balance sheet are set out below.

30th September 1985 **Issued Fully Paid Capital** £10,000,000 7,804,365 Reserves : Subordinated Unsecured Loan Stock 1991 2,000,000

Deferred Taxation **Total Capital Resources**

Primary Capital

Balance Sheet Total

£19,804,365 7,623,035 £27,427,400

£210,893,197

The Bank continues to maintain a high level of liquidity and low gearing and the Directors are optimistic that 1986 will be another successful year.

At the Annual General Meeting of the Bank on 3rd December 1985, the National Bank of Hungary, recognising the increasing demand for the services of the HUNGARIAN INTERNATIONAL BANK LIMITED and its wholly owned subsidiary HIBTRADE LIMITED, agreed to take up on the 14th January 1986 US\$15,000,000 Primary Capital Undated Loan Stock. This stock will form part of the Bank's Primary Capital (as defined by the Bank of England) and will bring the Total Capital Resources at current rates of exchange to approximately £38,000,000.

The 1985 Accounts will be published shortly. Please contact the Company Secretary for a copy. Telephone: 01-606 5371. Address: Princes House, 95 Gresham Street, London EC2V 7LU.

Compiled by Laurence Desvilettes from information supplied by European bond traders.

Issuer	Amount (millions)	Mat.	Coup.	Price	Price end week	Terms
FLOATING RATE NO)TES					
Italex	\$230	1992	1/4	100	99.81	Over 6-month Libor. Collable at par on every interest payment date. Sinking fund to start in 1989, Fees 0.202 Denominations \$250,000.
Anglia Building Society	£ 100	1997	Ж	100.05	99.90	Over 3-month Libor, Callable at par in 1990 and redeemate at par in 1993 and 1995. Fees 0.19%.
Danish Finance Institute for Industry and Crafts	DM 100	1991	1/4	100	99.50	Over 6-month Liber. Maximum coupon 798%. Noncaliable Fees 0.40%.
FIXED-COUPON						
Citicorp	\$150	1989	9%	10114	98.38	Noncollable.
Dart & Kraft Financial	\$100	1996	101/4	1011/4	99.50	Collable at par in 1990. Also 100,000 warrants, priced of \$17.50 each, exercisable into an identical, nancallable bore Latter band can be bought with warrants plus has borduring the first 5 years, then with warrants and cost Worrants ended the week at \$17.50.
General Motors Acceptance Corp.	\$200	1993	9%	100	98.00	Nancofable.
Inter-American Development Bank	\$200	1995	9%	100	98.00	Noncellable.
Monsanto	\$100	1991	9%	1001/2	98.25	Collable at par in 1989, Also 100,000 warrants, priced at \$7 each, exercisable into an identical, noncollable band, Latte band can be bought with warrants plus host band during th first 3 years, then with warrants and cash. Warrants ender the week at \$10.
Textron	\$100	1998	10%	991/2	97.00	Callable at 1011/s in 1994.
European Investment Bank	€75	1996	101/2	981/2	96.20	Nancallable. Purchase fund to start in 1986, £50 million reserved for top.
Soinsbury (J.)	£ 100	1993	10%	100	98.20	Callable at 1011/s in 1992. £60 million issued now and £4 million reserved for a one-year top.
CPC Int'l	DM 200	2001	6%	100	97.13	Noncolicible.
Inter-American Development Bank	DM 150	1995	71/4	99%		Noncellable private placement.
World Bank	рм 1,000	2015	zero	13	13.50	Yield 7.04%. Nancallable. Proceeds 130 million marks.
Brown Shipley Finance	ECU 30	1994	916 .	100	98.00	Collable at 100% in 1992.
Parbel Finance	ECU 50	1989	8%	101	<i>99.75</i>	Noncollable.
Chrysler Financial	Com\$ 75	1993	11	100%	97.50	Nancollable.
Nord LB Finance	Aus\$ 50	1991	14	100		Noncallable.
Unilever Becumig	Aus\$ 75	1989	141/4	100	98.50	Noncoliable.
West LB Finance	Aus\$ 50	1991	14	100	98.00	Noncollable.
Paribas Luxembourg	MZ\$ 40	1989	18	100%	99.50	-
Montreal	Y 10,000	1995	6%	101%	99.50	
OIAG	Y 22,000	1995	8¼	10114	99.50	Noncollable. Redeemable at maturity at 182.50 yen pedallar for a total of \$120.5 million.
EQUITY-UNKED						
Ajinemoto	\$120	1990	5%	100	99.00	Noncollable, Each \$5,000 note with one warrant exercisable into company's shares at 1,133 yen per share and at 204.95 yen per dollar. Increased from \$90 million.
Samsung Electronics	\$ 20	2001	5	100	100.00	Redeemable at 117 in 1990. Convertible starting 1967 of 1,652 won minimum per share and at 889,70 won per dollar.
Asko Finance	DM 150	1993	3	100	106.00	Noncellable. Each 5,000-mark band with 2 warrants exercise able into company's shares at 1,140 marks each.
Crédit Suisse Finance	DM 150	1995	2%	100	102.00	Callable at par in 1993. Also 150,000 4-year warrants and 150,000 5-year warrants, all exercisable into 9 Blackrowal but's bearer participation certificates at 330 Swiss franceach.
Daiko Kanko	DM 120	1991	2%	100	99.00	Nancalloble. Convertible at 2,372 yen per share and at 81.25 yen per mark.
Maruzen Showa Unyu	DM 25	1990	open	open	101.00	Coupon indicated at 3%. Noncallable. With warrants exercisable into shares at an expected 25% premium. Terms to be set Dec. 9.
Volkswagen Int'l Finance	DM 250	1996	3	100	108.00	Noncollable. With warrants exercisable into company's shares at 407 marks each.
Sell Group	Aus\$ 75	1995	open	1001/2	_	Coupon indicated at 10-11%. Noncollable. Convertible at an expected 18-20% premium, Terms to be set Dec. 10.
WARRANTS						
Merrill Lynch	0.125	1990	_	\$14	_	Call warrants exercisable at par after Dec. 1988 into Merril Lynch's 10% bands due 1990.
Merrill Lynch	0.125	1989	_	\$17	_	Put warrants exercisable at par after Dec. 1988 into the U.S

Baker Plan: An Outline of a World Debt Strategy

To outsiders looking in, the al sovereignty. Thus, no debtor has World Bank, long criticized for beyet come forward to inaugurate the ing a bureaucratic slowpoke, is im-

mobilized by having a lame-duck president. A.W. Clausen an-

nounced at the Seoul meeting that he would not seek reappointment

when his five-year term expires in

The institution is now bogged down producing studies commis-sioned by directors competing for the honor of which department gets

to lay out the strategic plan. There is no one at the top to establish such a plan; Mr. Clansen obviously does not want to tie the hands of

A speech he is to deliver Monday

in Buenos Aires was initially awaited as a major policy pronounce-ment. But the speech now is expect-

ed to address how to carry out the

new strategy in only the most gen-

The critical factor that is lost

amid this turnoil are what condi-

tions will be applied to the new loans made to countries that agree

to submit to the Baker plan. For the

commercial banks, the existence of

conditions is the only safeguard

nis successor.

eral terms.

with a joint statement from the MF expressing "their strong support for the imitiative" and stating they "are ready and willing to play less hole. For the debtors, such conthear parts in the implementation."

High Liquidity Brings New Issues of Euro Paper

By Carl Gewirtz ional Herald Tribune

PARIS - The international credit market is flush with cash and paper or notes or to support the has too few suitable outlets to funnel it - which explains the stepped-up pace of Euro commer cial paper programs, the non-un-derwritten facilities that banks attempt to market on a best-efforts.

Given the abundant liquidit traders are confident of being able to place these short-term promissory notes.

Five non-underwritten facilities were announced last week. The State Bank of New South Wales has named four dealers headed by Salomon Brothers to market up to \$500 million in the form of certificates of deposit issued by the bank's London branch (one-, two-, three, six- or nine-month CDs) or promissory notes from any other branch for periods from 14 to 270

nancing unit of the U.S. truck maker Paccar Inc., has named Morgan and MEPC, the British property. The maximum rate the company tional 14 percent.

(Continued from Page 9)
rolet Camaro and Pontiac Firebird

models, due out in 1989, and the

new front-wheel-drive Chevrolet

minivan, which will probably be a

1990 model, will have plastic skins, according to industry sources.

Plastic body panels are nothing new. The Chevrolet Corvette has

had a fiberglass body since it was

Besides helping with fuel econo-

all dents as is metal and do not

my, plastic panels are not subject to

corrode, an advantage in northern

(Continued from Page 9)

vesting in Third World markets

and Samsung ended the week at

European funds investing in the

The big excitement was for

Deutsche-mark-denominated pa-

per. Volkswagen sold 250 million DM of 10-year bonds bearing a

coupon of 3 percent and warrants

to buy shares at a price of 407 DM.

The bonds, offered at par, ended

Asko Finance a West German

seven-year, 3-percent bonds with warrants to buy preferred shares

Crédit Suisse sold 150 million

DM of 10-year bonds bearing a

coupon of 2% percent with war-

rants to buy nonvoting shares it

held in Elektrowatt at a price of 330

zero-coupon issue from the World Bank. Investors were asked to pay

Banks that initially stayed out of

cause short-term interbank trans-

actions also were rescheduled, now

export credit agencies.

Also still to be resolved is wheth-

program of concerted action with-

out preconditions, which the inter-national organizations would pre-

Despite the many unresolved is-

sues, bankers expect European commercial banks to respond posi-

tively to Mr. Baker's request for a commitment to the program. They expect that there will be no formal

a statement of support.

yet come forward to inaugurate the the syndicated loan market and got involved in the debt crisis only be-

The conditions to be set for con-

tinued access to the Baker plan likely will be less stringent than the

tough short-term targets applied by the IMF, which all the debtor coun-

tries at one time or another have

Instead of measuring what targets the countries failed to meet, the test

will likely be a positive measure of

how much closer a country is to being able to pay interest and prin-

The commercial banks, mean-

while, are caught up in all kinds of wrangles. Up to now, new lending

has been squeezed out of them by the IMF, which tied its own com-

mitment to theirs. The money the

banks put up was measured in pro-portion to their own share of each country's total bank debt. It uses 1982, the year the debt crisis crupt-ed, as the base year.

Some argue that the 1982 historic base should be kept. Others,

which have been active selling or swapping debt, prefer to use the

cipal on loans.

current real base.

and ended the week at 106.

the week at 108.

of 1- to 365-day Euro commercial

sale of commercial paper in the United States. The Europaper will ported by letters of credit. be rated. Paccar's domestic short- Underwriters are offered term rating is Al-plus/Pl.

Banco di Napoli mandated Citicorp to place up to \$200 million of 7- to 365-day paper, denominated in dollars, European currency units or other major currencies

Osterreichische Spar-Casse-Bank) 27½ basis points. named Merrill Lynch as sole arranger of a \$100-million Euro CD program, the first from an Austrian and Citibank have also been named to place up to \$200 million of 7- to 365-day paper for Skopbank of

Underwritten facilities were an-nounced for Bridge Oil of Australia

But until recently, they took much

they were restricted to low-volume, high-priced vehicles such as the

Interest in the plastic panels grew, however, as the auto inconstry

began to concentrate again on styl-

ing after years of focusing on fuel

efficiency and pollution problems.

less expensive in longer production runs, promoters of plastic point out that those runs are getting shorter

Uncertainty on Rates Scares Off Investors

of the Singapore-Malaysian market deemed at 1,000 DM — an implied clearly affected attitudes about in-

981/2. The paper was largely placed increase in the value of the mark

with Far Eastern institutions and and for both foreign and domestic

Swiss francs. This issue, priced at company for its own purposes. par, ended the week at 102.

The only DM straight bond to Friday in a U.S. con

130 DM for paper that will be redeemed at 1,000 DM — an implied

seen as a very inexpensive way for

foreign investors to speculate on an

investors to speculate on a decline

Tension within the European

monetary system, after comments from Gerhard Stoktenberg, West

Germany's finance minister, on the

need for a revaluation of the mark,

put pressure on the lira and the French franc and sent Eurolire and

New York Times Service

Plough Corp. has filed suit charg-

NEW YORK - Schering-

retailer, sold 150 million DM of Schering Accuses Hutton of Fraud

in DM interest rates.

Although steel body panels are

longer to make than steel panels, so

Plastics Play a Growing Role in U.S. Auto Plants

against which it can offer commer-States or Australian dollar promisderwritten. The program is sup-

Underwriters are offered an annual fee of 1/2 percent, or 121/2 basis points, and are obliged to supply funds at a maximum margin of 64 basis points over Libor on the Euro commercial paper or 15 basis points over the Australian bank bill rate, Banks providing letters of First Austrian Bank (Die Erste credit will receive an annual fee of

MEPC is seeking a seven-year facility of £100 million (\$1.47 milgram, the first from an Austrian lion), which will be used to prepay mercial bank. Merrill Lynch two existing credits of £30 million and \$35 million. At least £75 milavailable, on which underwriters will be paid an annual fee of 25 basis points. The fee on the reserve amount is 12½ basis points.

as buyers demand more variety.

"The market is becoming more and more fragmented," said David

Cole, director of the University of

Michigan's Automotive Study Cen-

ter. "Instead of 200,000 units of

one vehicle, what we are going to have is 50,000 units of four differ-

Reducing the cost of changing

models would permit Detroit to

shorten its product cycles, even to the point of reviving a cherished

custom: the annual styling change.

"GM would like to go back to the

Eurofranc short-term interest rates

up. That increased short-term in-

terest rates on the European cur-

reacy unit, reducing the attraction

Instead, European investors

were lured into buying high yield-ing Australian and New Zealand

dollar bonds. West German inves-

tors especially like such paper from

Deutsche Landesbank, Nord-

Dentsche Landesbank and Unil-

ever in Australian dollars and

Paribas Luxembourg in New Zea-

involved. Using the confidential in-

formation, the suit charges, Hutton

bought Schering stock on the open

issuers familiar to the

land dollars.

Plough Conp.

ing that E.F. Hutton & Co. engages in securities fraud by using confidential information about the drug company for its own purposes.

Schering is asking that Hutton be enjoused from buying any more in Schering stock and that Hutton divest itself of stock already bought.

Wall Street sources said last week buying

for investors to buy ECU bonds.

ent vehicles?

Stanley and Lehman Brothers to company. Bridge Oil is seeking a will pay to draw against the facility, place up to \$320 million in the form \$100 million, five-year facility either as pound sterling or dollar cash advances or dollar Euronotes, cal paper here or in the United is 25 basis points over the London interbank offered rate. Banks are INTERNATIONAL CREDIT sory notes, but the issue of U.S. also paid a front-end commission commercial paper would not be una kill fee of 25 basis points if the facility is canceled within two

> Argyll Group, which is bidding £1.86 billion to take over Distillers Co., is raising £600 million in the form of an eight-year syndicated credit priced at 35 basis points over Libor for the first three years and slightly more for the final two years. The rest is being financed through the sale of £360 million of convertible preferred shares and £840 million through the sale of

çommon stock. British financial institutions will be paid a heftier-than-normal 3lion of the new facility is classed as percent commission to market £500 million of the stock if the bid is successful or a trim % percent if the bid fails. The underwriting fee on the remaining shares is a conven-

old annual model change without

the tremendous expense of devel-

oping all new products," Mr. Cole

said. "The plastics approach makes

The gleam in the eye of both the

plastics suppliers and auto company designers is the possibility of "leapfrogging" the Japanese and eliminating their cost advantage of

\$1,500 to \$2,000 a car by changing

the basic structure of automobiles.

The idea would be to make modu-

lar, sectioned underbodies with

plastics and then snap them togeth-

Strength and durability are not

really an issue, the designers say,

pointing out that race cars and

use reinforced composite plastics.

charge of advanced engineering for the Chevrolet-Pontiac-Canada

group at GM, doubts that there will

be an all-plastic car soon. One rea-

son is safety. "Mild steel is very

good at absorbing energy in a crash," he said. "Plastics do not

Caterpillar Automation

PEORIA. Illinois - Caterpillar

\$600 million to automate its 21 lants around the world, in a move

that will eliminate about 10.600

Caterpillar expects to eliminate

about 20 percent of its work force

in the next four years, the spokes-

man, Stephen Newhouse, said Sat-urday. About half the job reduc-

iobs in the next four years, a com-

pany spokesman said.

Will End 10,600 Jobs

have that ability yet."

igh-performance aircraft already

But Hulki Aldikacti, who is in

r with a little adhesive.

a lot of sense."

Budget News Brings Late Price Gains

By H.J. Maidenberg NEW YORK - Although trad.

ers and investors in fixed-income securities were mostly on the sidelines after bunch Friday, there was sufficient pre-weekend short-covering throughout the day to keep prices firm.

And when leaders of the Senate and House approved the main

U.S. CREDIT MARKETS

points in a budget-balancing bill late in the day, a flurry of buying converted losses of about 5/32 on longer maturities into gains of about that size. But the bills market continued to show losses.

Traders noted that the afternoon market was thin as word was awaited on the fate of the budget bill.

The near standstill in trading also reflected congressional maction on the national debt ceiling, which was due to fall back to \$1.8 trillion at midnight from a temporary level o \$2 trillion.

The deadlock on the debt ceiling caused the Treasury to announce postponement of Monday's regular weekly auction of bills.

Earlier, prices managed to recovier after declining slightly at the opening on carry-over selling from the unexpectedly large \$4.4-billion surge in the weekly M-1 money supply figure reported Thursday.

The rebound came amid wide

spread expectations that the Federal Reserve would add perman reserves to the banking system When the Fed did not do so, many traders and investors closed the Meanwhile, the bid price of the current 90-day Treasury balls fell

seven basis points to produce an effective rate of 7.41 percent. The rate on the companion six-month issue, which fell five basis points was 7.64 percent, while the price or the one-year bill slipped four points, for a rate of 7.83 percent. Also in the secondary market the offered price for the 8.5-perce notes of 1987 closed up 2/32, to 100 2/32, for a yield of 8.39 per cent. At the longer end of the mar-ket, the new beliwether long Treasury bond, the 9% percent bon

analyst at McCarthy, Crisanti & Maffei, noted that \$3.3 billion of Tractor Co. will spend more than

U.S. Consumer Rates For Week Ended Dec. 6.

 $\overline{\Lambda}_{i}$

2

Te .___

Bld Aul
Thomson

Gwith 12,20 NL
Inco 10,14 NL
Unico 10,14 NL
Uper 12,54 NL
Uper 12,12 NL
Eather 12,10 NL
Uper 12,10 NL

United Marant Genri 820 Gwith 20.7 Inco 1284 Indi 8.12 Multi 1557

Possbook Sovings

Tax Exempt Bands Band Buyer 20-Band I

sey, that it had given Hutton the that Hutton had been buying information because of a potential Schering stock in large quantities transaction involving Schering in and was allied with Dart Drug which the investment firm was also Corp. in the purchases.

Figures as of class	of frading Friday	Levee 17.51 6th0e 11.36
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ThFd 7.94 8.48	Deca Witter:	HIYIG 834
Nest 7.51 NL	Convert 10.24 NL	Incom 9,00
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Cofftx 3.25 NL
Drayf 13.25 NL
Lavyge 17.51 NJ
Gridge 13.26 NL
NY Tx 14.27 NL
Spi loc 425 NL
Tray Ex 11.26 NL
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Safece Secur:
Equit 10.88 NL
Gravin 15.65 NL
Inco 11.22 NL
Munic 72.56 NL
Correct 10.28 NL
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TXF-73 1905 NLT
TXF-73 1905 NLT
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Action a 20 8.5
Bond 2.4 60
Bond 2.4 6

2115, gained 5/32, to 100 1/32, to yield 9.86 percent, compared with 9.83 percent a week earlier.

In the corporate debt sector bond prices continued to ease Lindley B. Richert, chief marke new corporate issues flooded the market last week.

Mutual Funds

object to being included among the long-term lenders contributing their proportion of new funds. tries at one time or another have failed to meet.

The new targets likely will be longer-range, permitting a more realistic amount of time to construct a healthier economic base, and will have a more positive orientation.

Instead of measuring what targets er the Baker plan is a sequence of steps, beginning, as the banks would prefer, with realistic adjust-ment programs in the debtor coun-tries, or whether it is an integrated commitment —a term that they see as too precise a pledge —but rather

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Group: 10.85 | 1.86 6.42 | 7.82 17.66 | 21.49 14.27 | 15.60 42.13 | NL 11.90 | 12.93

U.S. Demands EC Telecommunications Opening (Continued from Page 9) what he said was its failure to move

(Continued from Page 1) than what would be needed simply

for the 15 countries cited by Mr.

Baker. Mexico alone is expected to

need at least half the total for itself.

In addition, the 15 — Argentina, Bolivia, Brazil, Chile, Colombia,

Ecuador, Ivory Coast, Mexico, Mo-

rocco, Nigeria, Pern, the Philip-

pines, Uruguay, Venezuela and Yu-goslavia — are named simply for illustrative purposes, as they are the countries with the largest debt,

a Treasury Department spokesman

Mr. Baker never meant that lending expansion should be limit-

ed to those countries, but intended

that it should cover all countries

with problem debts, the spokesman

tied up wrangling over the details of the commitment they are being asked to make, the World Bank,

which is supposed to move to cen-

ter stage in orchestrating this de-

cade of development, has largely

disappeared from the scene.

Last week, almost two months

after Mr. Baker's speech at the

IMF-World Bank annual meeting

in Seoul, the World Bank surfaced

While the commercial banks are

more quickly to open telecommunications markets. Such retaliaports of West German products the GATT talks.

Since September, under the 1974 Trade Act dealing with unfair trade practices, the administration has initiated actions against Brazil, South Korea, Japan and the EC, and has listed more than 200 foreign trade barriers that it said impeded U.S. exports. The administration is now exam-

Airbus Industrie, the West European consortium of French, West German, British and Spanish aerospace companies.

Mr. Yeutter said he planned to

about Airbus, he said, "but the case is not ripe for action." Mr. Yeutter also said that "telecommunications is the most contion, he said, could take the form of tentious issue" faced by the Reagan duties, fees or restrictions on im-

In an earlier interview after talks Friday with GATT officials, Mr. Yentter said: "What we are trying to do in Europe this week is but a beginning — but we want the pen-dulum to begin swinging on liberalization of trade in goods and services, with telecommunications

very high up on our list.
"I am hopeful that we can move The administration is now examining several other cases, including allegations of unfair subsidies to but Madame Cresson," Mr. Yeutter continued. He was referring to France's minister of industry and foreign trade, Edith Cresson. Mr. Yeutter will meet Mrs. Cres-

son on Thursday in Paris, and he is raise Airbus in his talks with West expected to raise a proposed agree-European trade officials this week. ment between the state-owned Cic. "There are a lot of allegations" Générale d'Electricité and Ameridomestic market. A Nov. 30 deadline for a French

government decision passed amid continuing urging in Washington by senior AT&T executives that the administration press France for a

"U.S. solution." A French opening
would represent a major success for

"U.S. market. This process
in the U.S. market. This process

AT&T has been cooperating with Philips NV, the Dutch electronics company, to produce digi-tal telephone switches for Western Europe, and, in general, to expand its telecommunications operations outside the United States.

This is part of a joint effort to compete more effectively against IBM and and Japanese telecommunications companies, and the proposed link with CGE would be a key element in that strategy.

The French-U.S. agreement would also represent a major vic-

can Telephone & Telegraph Co. tory for CGE, which would obtain that would greatly strengthen each AT&T's help in marketing its telecompany's position in the other's communications-switching equipment in the United States.

A French official said Sunday that the government still favored an "AT&T solution," but wanted to improve the terms of the original could take at least several weeks. The official described as "specu-

lation" and "rumor" reports suggesting that France was seeking to replace AT&T with several West European telecommunications companies. French industry sources have cited L.M. Ericcson Telemateriei AB of Sweden and General Electric Co. of Britain, as well as Matra SA and the Bull and Jeumont-Schneider groups of France as possible replacements.

"Our hope is that AT&T will not close the door," the official said in

Outlook Herald Eribune

INSIDE

Current wisdom: Recovery of the dollar will not be allowed.'



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John R. Hardy of Chemical Bank. Reports on currencies and options. Page 4

Minus inflation, 'you're not going to get a booming rally' in gold.



Fred Bogart of Republic National Bank. The outlook for precious metals on Page 5

Out on a limb: 'I am never wrong...for more than 24 hours.



Harry Schultz, international investor and adviser. A profile on Page 6

FOCUS

Funds in Europe: Cautious Decontrol

HE collapse in 1970 of Bernard Cornfeld's Investors Oversea Services fund empire has always represented a watershed for the fund industry. Before the IOS collapse, investors in Europe "had to look out for themselves," with unfortunate consequences, said one European Com-munity official. After the scandal broke, member countries tightened protection for investors and, in the process, helped to create barriers that have kept the

European fund market relatively segmented.

Not surprisingly, 1970 was also the year that EC officials first took up the idea of establishing rules for the sale of fund shares. Fifteen years later, they finally established some guidelines to make it easier for a fund authorized in one member country to sell its shares to citizens of another member country. Although it may be some time before a West German investor will find it as easy to purchase shares in a British fund as in a German one, the guidelines have definitely altered the rules of the fund business in Europe.

The liberalization "should quite definitely have dramatic results," said Denis Forthomme, a member of the board of the Belgian Mutual Punds Association. The combined assets of the mutual fund groups in Belgium, Britzin, France, Italy and West Germany have soured to \$135 billion, buoyed by recent spectacular fund growth in Italy and France.

HERE is an incredibly large scope for selling." Mr. Forthomme observed, "but it's going to be an enormous challenge" to construct a Europe-wide market.

In one respect, fund groups are understandably cautious about predicting the results of the new guide-lines, which will establish common rules allowing a group that is approved by one member nation to sell shares in all the other member countries. The guidelines, known collectively in community parlance as a coordinating directive, set a deadline for the changes of Oct. 1, 1989, for most countries.

"We're taking this thing slowly," said Stuart Gilmartin, European investment manager of the British group Gartmore. The group's cautious attitude is perhaps due to the diversity of Europe's national fund markets. Each has its own traditions and marketing regulations that will complicate cross-border sales, even after the new guidelines take effect, fund group

The EC Council of Ministers began debating the liberalization proposal almost 10 years ago, but it took the impending entry of Spain and Portugal this January, British government pressure and the zeal of the new executive Commission, to prod ministers to take

Ministers realized that if they waited any longer, the (Continued on Page 14)

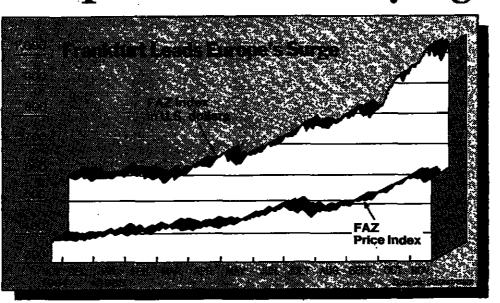
The Rally in Europe Shows Its Staying Power

By John Meehan

Frankfurt UNTER Burgold is a busy man these days.
As a senior trader for BHF-Bank, the West
German merchant bank, he is a picture of
perpetual motion as he glides around the
floor of the Frankfurt Stock Exchange, answering phones, scanning telexes and studying the price swings on the lurge electronic tote board that dominates the exchange. Every week he squeezes a mile or two into the mere 20 feet that separate his small cramped office on the edge of the trading floor from the Marklersch-ranke, the rectangular desk in the center of the market where specialists execute orders.

"I wouldn't say that was the busiest I have been, bu we haven't seen that kind of activity in a long time,"
Mr. Burgold, a veteran of 27 years on the trading floor,
said of the June through October period. "I couldn't
even get away for vacation. I couldn't afford to be
away from my deak."

In many ways, Mr. Burgold's hectic work schedule reflects a profound switch in investment strategy in the past year. Although equity markets around the globe continue to touch record highs, the fading romance with the Tokyo market and uncertainty about prospects in the United States have translated into an unexpectedly big boom for markets in continental Europe. The Frankfurt and Zurich exchanges, whose prices moved at a glacial pace through most of the 1970s and early 1980s, suddenly find themselves in the limelight, ranking among the world's top performing markets in 1985. Even the tiny Milan market, shunned



for years by global investors because of its thinness and volatility, has brightened its image thanks to an influx of foreign funds.

The big question on the minds of many portfolio strategists is how long the European rallies will contin-ue. The Frankfurter Allgemeine Zeitung index of 100 leading West German stocks languished from 1967

until 1982 when markets began to stir in response to Wall Street's legendary summer performance. It closed out November at 583.62, up almost 60 percent

from a year ago.

Mr. Burgold said a brand new dimension has been introduced to the 1986 market with Deutsche Bank's

Flick industrial empire, valued at over 5 billion DM (\$1.9 billion), on West German stock exchanges next year. He said it was too early to evaluate the impact of what will be West Germany's largest share offering.

"In keeping with pattern we've seen over past year, it appears British and U.S. institutional investors had closed out most of their investment activity by early November, accounting for the sharp drop in trading volume in November from record figures reached during the summer," Mr. Burgold added. "I expect heavy institutional investor activity will be taken up toward the end of January, with professional operators out of London and the U.S. taking the lead."

As investors restructure their portfolios for 1986, concern over the vitality of the European markets has replaced the broader themes that occupied investors through most of 1985. The debate over the slowdown in U.S. economic growth and its side effects on the rest of the world has substantially subsided. Even fear of the dollar has faded.

Roger Nightingale, chief economist at Hoare Govert in London, sees the Sept. 22 meeting of the Group of Five finance ministers as a turning point that reshaped the environment for investors. Although most global investors had been trimming their dollar exposure for some time in anticipation of a significant drop in the U.S. currency, the public announcement that governments of the United States, Japan, France, Britain and West Germany would cooperate to arrest the dollar's ascent removed a lot of the guesswork. "The investment climate changed totally because of

(Continued on Page 12)

After the Surge, Caution Sets In

The three-year-old bull market sur-prised most investors with its stamma this fall, when the Dow Jones industrial aver-age topped 1,400 and continued to gallop to new highs almost daily. But most analysts expect the market to rost out of steam early next year, perhaps correcting itself by 10 or even 15 percent. If, as most experts expect, next year's growth is con-centrated in the latter part of the year, the bull might not come back until the second

"You have to discount the manager who say its going to be a fantastic year," said C. Bruce Johnstone, portfolio manager of Fidelity's Equity-Income Fund. "We're not looking for that."

Cantion is understandable. Equity val-ues have so far-risen more than 20 percent in a year when corporate earnings are expected to finish flat or, at best, up 5 percent. "That's a tough act to follow," said Abby Cohen, an investment strategist

at Drexel Burnham Lambert. She and others attribute the unusual rise in part to the growing cash reserves chasing a decreasing supply of issues. Last year, mergers and stock repurchases took \$70 billion in shares out of the market. Another \$104 billion have been siphoned off so far this

There has not been a corresponding drop in demand. Institutional investors, some managing ballooning pensions funds, continue to funnel their assets into the stock and bond markets, encouraged by the falling interest rates and persistentlow inflation that have made alternatives such as real estate and precious met-als relatively less attractive. Strong foreign demand has also helped to buoy prices.

But the buil's strength must be mea-sured against a backdrop of increasingly complex factors affecting the economy. The federal budget deficit has increased U.S. reliance on the strength of foreign economies: Consumer and corporate debt lévels also have reached unprecedented highs, leading many experts to wonder if further recovery can be sustained. "These fundamental excesses will begin to bite" early next year, warned Steven G. Ein-



Steven Einhorn of Goldman Sachs.

horn, co-chairman of Goldman Sach's investment policy committee.

Few economists predict more than modest growth next year. Gross national product in the first half of 1986 will likely product in the list han it 1980 will likely increase at a slower pace than the 2.5-percent average for 1985. Activity probably will not pick up significantly until mid-year, when the benefits of the Group of

(Continued on Page 13)

EUROPE

An Emphasis On Blue Chips

The steady gains on continental bourses may have pushed prices of popular shares to historic levels, but portfolio strategists are cautioning hopeful bargain hunters about turning to lesser-known stocks. With many of the smaller stocks lacking sufficient liquidity, analysts continue to recommend the blue-chips for early 1986.

Indeed, the investment themes remain unchanged. The only significant develop-ment involves Milan, where hectic buying has given way to caution on the part of many portfolio managers. Foreigners flooded the narrow market with cash earlier this year in response to the sanctioning of mutual funds in Italy. The Banca Commerciale index has doubled in the past year, and some fund managers are taking their profits.

In Frankfurt, Meinhard Carstensen. deputy managing director at Dresdner



A Daimler-Benz worker at a plant in Bremen.

Bank, continues to favor financial services. "Bank stocks still look good," he said. "The banks are making a lot of money this year." With Deutsche Bank, Dresdner Bank and Commerzbank expected to post record profits this year, all three top the buy lists of most analysts. Big industrial companies remain popular, especially Siemens. Auto companies

(Continued on Page 13)

Trade Frictions Pressure Market

It is traditional for the Tokyo stock exchange to stage a year-end rally and close on an optimistic note, something market watchers fully expect to occur again this month. But the surge, if it comes will herely camouthers what has comes, will hardly camouflage wi been a bumpy, unfocused year. The Nik-kei-Dow Jones index of 225 stocks moved in fits and starts, briefly breaking a record 13,000 but also taking its steepest plunge

Blue-chip and high-technology issues that once fueled the market bottomed out during the summer, dulled by U.S. trade friction and sluggish semiconductor sales. For months the market has cast about unsuccessfully for a significant theme, dip-ping into a series of such domestic-related areas as construction, real estate and de-fense. Since the start of the year, the index has advanced just over 10 percent, a tepid performance in face of previous annual ins and the brisk rallies in Europe and

Most market observers expect more of the same in the first half of 1986 — plenty of turbulence and no dominant theme. Shading the picture are predictions of a further U.S. economic slowdown, a dip in Japanese corporate earnings and fears that



A Japanese pharmacy. Drug shares have been jolted.

Japan's economic growth will fall to around 3 percent or less in fiscal 1986, down from this year's anticipated 4 per-cent. Moreover, analysts suspect the year will be maintained at around 200 to the dollar, defusing trade friction somewhat, but also slowing exports. Interest rates are expected to fall in the first half, but will likely be kept sufficiently high to support

the yen.
What direction the market will take in the second half is where opinions begin to diverge. Some, like Akio Kohno, chief onomist at Daiwa Securities, think the market will strengthen sometime in the spring and continue fairly strong through the year, riding on expectations of a recov-ery in blue chips, new government policies to stimulate domestic demand, weak oil

(Continued on Page 13)

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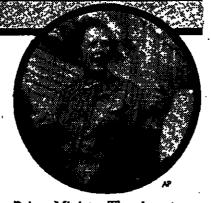
No Shortage Of Confidence

The Financial Times all-share index has advanced 13 percent since September, and the average price earnings multiple on the London Stock Exchange is approaching 14, but Keith Brown, head of equity research at W. Greenwell & Co. in London tells investors not to worry. "It might seem like the market is at a turning point," he said. "But it's not."

Strong corporate profits and rising dividends, he argues, will likely sustain the autumn raily on the London Stock Exanimin raisy on the London Stock Ex-change through next year as the market experiences the "Big Bang" of deregula-tion and prepares itself for a national election in 1987. Kenneth Inglis, head of equity research at Phillips & Drew, agrees. "Right now the market feels somewhat overbought. But that doesn't mean it

Few analysts expect British stocks to duplicate 1985's performance next year.

won't be higher a year hence."



Prime Minister Thatcher. Investors ponder elections.

Earnings rose about 15 percent this year thanks to a solid economic growth rate of about 31/2 percent and strong consumer demand. The market also received a boost from well-publicized takeovers and the ensuing speculation about possible targets. But the outlook is upbeat. With the Conservative Party government of Margaret Thatcher facing probable elections in 1987, analysts are confident that the govermnent will pursue its mild expansionary

(Continued on Page 12)

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Outlook: A More Tranquil Currency Environment

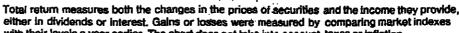
(Costinued From Page 11)
G-5," Mr. Nightingale said. "I wouldn't be surprised if all markets set new highs."

With a degree of safety against a resurgence or a sudden collapse in the U.S. currency, investors find themselves in a more predictable, if not yet tranquil, currency environment. The dollar's 25-percent drop in value since Jan. I has failed to generate any turmoil within the European Monetary System. Conventional wisdom held that as the dollar descended, the stronger EMS currencies, like the Deutsche mark, would rise so quickly as to force another realignment. But with inflation down, interest rates down and deficits declining among European countries, there has been little of the traditional pressure for a readjustment in parities.

More importantly, however, the G-5 meeting represented a tacit acknowledgment from Washington, Tokyo and European capitals that they would continue to pursue a more lement monetary policy, nurturing economic growth at modest levels while bringing interest rates down another notch or more. Nigel Hurst-Brown, who manages fixed-income portfolios for Hill Samuel in London, thinks U.S. rates will drop another 100 basis points, or one percent. "We will see it sooner rather than later," said Mr. Hurst-Brown. "One isn't given such indication very often on where to make money."

Although officials in the Reagan administration have privately criticized Boun's lack of zeal in pursuing a mild reflation, it is clear that most governments are

Total Return: Stocks Outrun Bonds



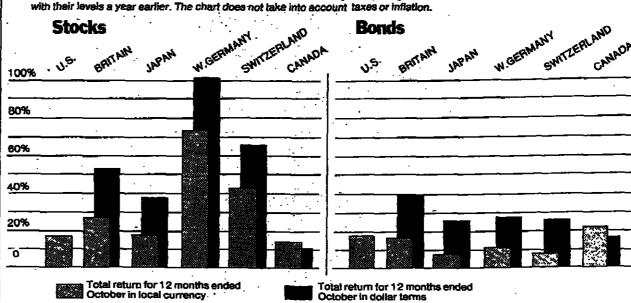
year. Steadier growth is expected

Germany's gross national product

is forecast to grow at an inflationadjusted rate of 2.5 percent to 3

percent in 1986; Japan's growth

n Europe and the Far East. West



easing their restraints, shedding some of the monetarist policies that have been their mainstays since the ruinous inflation days of the late 1970s and early 1980s. "Everyone in the world seems to be accelerating money growth,"

Mr. Nightingale said.

With the recurring fear of another recession again postponed,
U.S. economic growth, some economics believe could be as low.

percent to 2 percent in the first half of 1986. A quicker pace is foreseen in the second half with growth for the year possibly climbing to about 3 percent compared with about 2.5 percent this will last remains uncertain. Mr. Nightingale echoes other experts when he warms that the huge

ment will last remains uncertain. Mr. Nightingale echoes other experts when he warns that the huge debt load that has been accumulated by governments, corporations and individuals could eventually spell trouble as economic growth slackens. The bulging trade deficit in the United States

also continues to cloud the horizon. Congress, he fears, may piece together some deficit-reducing legislation toward the end of 1986 that will include protectionist

Nevertheless, the climate in the near term seems more predictable than it has in a long time. "Unfortunately, when things are more predictable, it's more difficult to make money," said Bernard Rattray, a director at American Express Asset Management in London. "The game is to become more inventive in picking stocks and markets to make money."

make money."

Despite the exhaustive pace of equity markets in Europe, most global portfolio managers are betting on further gains and remain overweighted in continental bourses and somewhat underweighted in the United States and Japan. "The bull markets in Europe are relatively recent if you take the long-term perspective," Mr. Rattray said. "And you could say that they are substantially undervalued."

Each record high in Frankfurt.

Zurich and Amsterdam can be measured in degrees of anxiety, about a possible correction, but analysts are limiting the downside risk. One reason is that European stocks remain relatively cheap thanks to robust company profits. In Frankfurt, for example, the average price-earnings multiple edged up to 12 from 10 thanks to a 20-percent surge in corporate profits this year. Dutch stocks, meanwhile are selling at about 9½ times earnings after a 14-percent gain in corporate profits this year.

No one suggests, however, that the European markets will duplicate their 1985 performance next year. Corporate earnings in Europe likely will slow. Commerzbank bank, for example, predicts only a 5-percent growth in earnings for West German companies in 1986. Kees van Dalen, head of equity research at Algemene Bank Nederland in Amsterdam foresees the growth in Dutch earnings at 19 percent to 12 percent, still healthy but down slightly from 1985.

Portfolio strategists are decidedly less enthusiastic about U.S. stocks. As the bull market winds up its third year, analysts are more inclined to characterize it as fatigued rather than mature, even though the New York Stock Exchange continues to set records. With economic growth slowing the dollar descending and coasumer spending declining, the short-term outlook is less buoyant than it was six months ago.

Caution also is prevalent among money managers when talking about Japan. A stunning showing in 1983 and 1984 has propelled price-earning multiples on the Tokyo Stock Exchange to a lofty average of 26. Moreover, after stumbling last year in response to slower U.S. growth and rumblings in Washington about protection ism, Tokyo remains a market of rotating themes, none of which have demonstrated any staying power. John Templeton, who oversees \$4 billion in the Templeton Group of Mutual Funds from his base in the Bahamas, once had 50 percent of his assets in Japan. Today, he said, "I own practically nothing."

believes that fears of the impact of privatization on equity sales may prove to be exaggerated. "Downward pressure may be relieved in

several ways," he said. "Discount, pricing and heavy marketing of each floatation will lead to a great-

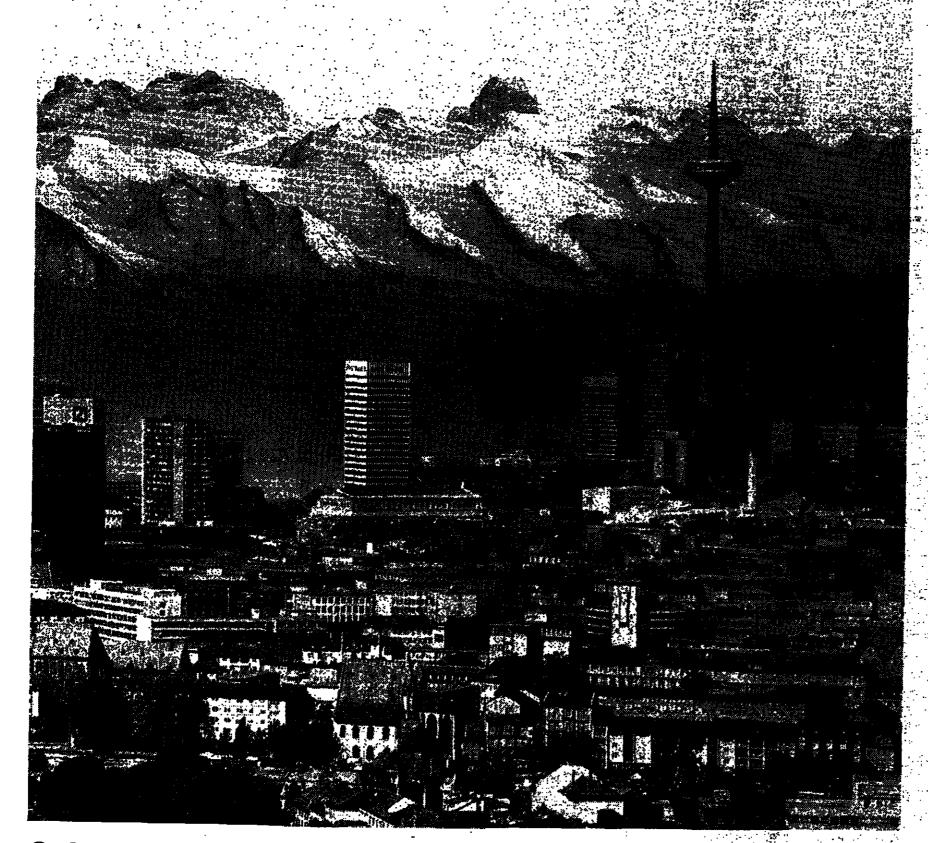
er proportion being taken up by the personal and overseas sectors." Moreover, he says the tax

cuts paid for by privatization will

lowing more funds for investment.
Michael Hughes, an analyst atDe Zoete & Bevan, sees electricals

as next year's recovery sector.
"Once GEC moves, then the

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Rosy Views On Profits

(Continued From Page 11) policies, especially now that stering has improved against the dol-

lar.

"The government will ride the consumer tiger right to the elections," Mr. Inglis said. He sees a 10-percent increase in corporate profits in 1986, which will allow a similar tise in dividends. Mr. Brown at Greenwell also thinks earnings will rise 10 percent as the economy grows at a comfortable rate of 2½ percent next year. This, he says, will force price-earnings multiples back to a more attractive

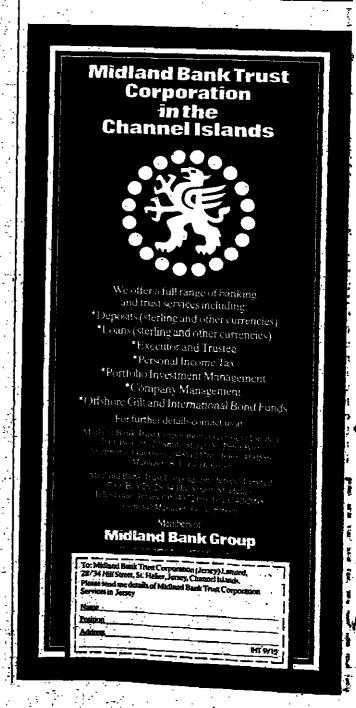
average of 12½ in 1986.

Another major impact on the 1986 market will be a further wave of privatization of government-owned industries. By far the most significant will be the sale of British Gas, which will take about £10 billion (\$14.3 billion) of funds from the market over two years.

Mark Cliff of Capel Cure Myers

whole sector will go," he said. Among electricals, Mr. Brown likes Ferranti. He also recommends Lloyd Bank.

Mr. Inglis of Phillips & Drew looks to the consumer sector. With proposals to expand the hours that pubs can remain open, he recommends breweries like Whitbread. He also favors what he calls "Dentsche mark sensitive" stocks that will see earnings rise as sterling loses ground against the West German currency. He says ICI and GKN are two examples.



Outlook: Underweighting New York and Tokyo

'A Tough Act To Follow'

(Continued From Page 11)

Five's efforts to drive down the dollar begin to take effect. At that time, growth could let an annual rate of 3 percent by next summer, possibly setting the stage for another market rally.

Analysts uniformly stress that their forecasts would lose much of their rosy glow if several basic assumptions do not prove correct First, the dollar must drop further and stay down. Second, the Federal Reserve Board must maintain its recent accommodative stance. Paul A. Volker, the chairman who has battled inflation throughout his career, has pleased investors by allowing the money supply to outstrip this year's targets, presum-all ably to assist the fall of the dollar and interest rates. If the Fed becomes alarmed again about inflation and tightens monetary policy, however, growth may be further

But despite what might be called a consensus on the pros-pects for long-term growth, can-tion prevails in the short term. "I wouldn't be surprised if I were recommending selling stocks and raising cash three months from now," said Mr. Einhorn of Goldman Sachs. Last month, Drexel Burnham began advising its chents to decrease their share holdings by 20 percent. And many investors who had previously emphasized sectors and cycles are adopting a "bottom-up," or com-

The dollar's recent fall has made unitinational companies an overwhelming favorite among professional investors. Companies hat derive a substantial amount of their profits from foreign activities - IBM, Coca Cola and Eastman Kodak - are expected to realize greater profits as they translate their earnings abroad into dollars. Fred Fraenkel, an analyst with Prudential Bache, favors Gillette and CPC Interna-

Analysts are divided over whether short-term interest rates will fall or remain steady before they rise next year. Those who predict another drop are empha-sizing interest-sensitive stocks such as regional banks, insurance s, savings and loans, and brokerage houses. Mr. Fraenkel recommends Fist Executive and First Union Bank of North Carolina, and financial service firms
Dreyfus; Paine Webber, and
Quick & Reilly. T. Rowe Price's
chief economist, Ben Laden, who expects interest rates to hold tight before rising, predicts that hous-ing and construction sectors will be hurt most seriously.

Restructured companies have become increasingly attractive to investors looking for alternatives in a low-growth environment. Mr. Johnstone of Fidelity favors Ford and Chrysler, both of which have engaged in aggressive stock-repur-

For the longer term, analysts who expect a resurgence in economic growth during the second half of 1986 are again looking at cyclical stocks such as machinery



Workers at a Ford Motor Co. plant in Ypsilanti, Michigan, showing the profit-sharing checks awarded to them earlier this year. Ford is restructuring through a stock-repurchase plan.

ities, papers and chemicals. Mi-chael Sherman, chief investment strategist for Shearson Lehman Bros., lists Corning Glass Works, National Gypsum and Collins & Aikman. Mr. Einhorn recom-

mends American Cyanamid. Some analysts also are taking a second look at sectors that have long been out of favor with investors. Mr. Einhorn and others expect a turnaround from small-capitalization companies, which have underperformed for the last two years. Mrs. Cohen prefers oil com-

generate cash. She considers Roval Dutch and Sohio to be good Stanley suggests examining oil-service stocks.

But Mrs. Cohen notes that barins are rare in the current market, where stocks have risen from an average price of 8 times pr ed earnings in 1985 to 11 times carnings forecasts. "How much higher can they go?" she asks. mates for next year are already built into the mar-, ket," she added. "It's time to start

values. Byron Wien of Morgan

well. He likes Nedlloyd and Van Ommeren, two Dutch shipping

Kees van Dalen, head of equity research at Algemene Bank Nederland, warns that the market may consolidate its gains in March and April ahead of the May gener-

HE center-right gov-ernment, whose policies have favored the corporate sector, is facing a strong challenge from a center-left coalition. Public opinion polls show that the Christian-Democratic-Liberal coalition could lose

Elections also loom in France where the center-right parties are expected to replace the Socialist majority in legislative balloting in March. John A. Lindsay, who tracks continental European marexpects the projected outcome to be a positive signal for the Paris bourse, which has flourished under Socialist rule. Analysts recommend export-oriented companies, like Most Hennessey, Perner and

Turbulence May Continue

(Configued From Page 11) prices and changes in the domestic

consumer pattern. The Japanese economic situation will get worse before it improves. But the recovery should come in the year's second half, not in 1987 as previously thought," said Mr. Kohno, speculating that the dollar's decline will improve the outlook for U.S. economic growth. Others are less confident, predicting a open-ended period of uncertainty. "We don't expect stocks to perform all that well next year," said one foreign analyst.

Not surprisingly, the result of these divergent views is a varied and sometimes contradictory roster of strategies and recommenda-tions for 1986. Some investors are staying with domestic-related is-sues. Picks tend to be in hightechnology areas, such as telecommunications, optical communications and other sectors

not overly dependent on exports. Many money managers are maintaining a highly diversified portfolio, hoping that careful share rotation is the best insurance until the market develops direction. Returns are minimal using this strategy, but Tetsuhiro Myake, head of international re-Myake, nead of international re-search for Nomura Securities, says "it is difficult to focus on any specific area and topic stocks will continue to rotate."

Still others think blue chips will finally make a comeback. But caveats like protectionism, the veats like protectionism, the blurred economic future in the United States, the stronger yen and downward earnings projections are making choices more complex. Mr. Kohmo foresees a recovery in big high-tech issues preceding the expected second-half upswing in the U.S. economy. He thinks companies like NEC, Fujitsu, Hitachi, Toshiba and Matsushits will be even more resil-Matsushita will be even more resilient than before. Strong enough,

effects of a robust yen. Hisamichi Sawa, director of re-earch at Prudential Bache in Tokyo, also favors the international known issues. But he offers some advice in this area. Choose shares with relatively low export exposure or with new products His picks include Kokusai Electric, Fanne, Sumitomo Electric, Sony, Ricoh, Canon, NCR Japan

The prospects of slower U.S. growth also weigh heavily on the share market in Hong Kong despite its recent record performance. With the colony's heavy dependence on the U.S. market for its exports, the slowdown in the United States has required a readjustment of official economic growth estimates for 1985 and nmed expectations for 1986. In his semiannual economic review, Financial Secretary Sir John H. Bremridge lowered his forecast for gross domestic product from 7

and 5 percent A second worry is the political outlook for Hong Kong, which reverts to Chinese sovereignty in 1997. For the most part, the political factor had retreated noticeably to the back of institutional investors' minds, and the surge of trading activity in the last two months was largely led by institutions.

percent to between 4.5 percent

ENERAL confidence was joited last month, however, by reports that China was upset about Britain's introduction of indirect elections for the local legislature. The reports raised concern that China would not honor its pledge not to interfere in Hong Kong's civil and commercial freedoms during the transition period to 1997 and for 50 years thereafter. The stock market, which some brokers argue was due for a technical correction anyway, plum-meted 49.69 points in only one day

after the reports surfaced Still, "at an average price-earnings ratio of 13 coming down to 12 in 1986, you can't call this market cheap," said Shane Norman, assi-tant director at N.M. Rothschild & Sons. "It all comes down to a confidence factor, and on that, the

ry is still out." Sector by sector, the outlook is likely to be erratic during 1986. In the property sector, which accounts for about one-third of the weighting of the Hang Seng index, analysis favor Hongkong Land, Sun Hung Kai Properties, Henderson Land, New World Devel-opment and Hutchison Whampost. Selected management worth watching in 1986, analysts poa. Selected industrials also are

This report on the outlook for world markets is based on reporting by Colin Chapman in Lon-don, David Tinnin in Zurich, Terry Trucco in Tokyo, Dinah Lee in Hong Kong and Leslie Whitaker in New York.

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Banks Top German Lists

(Continued from Page 11) like Volkswagen and Daimler-Benz and the leading chemical firms — BASF, Hoechst and Bay-

er - also are favored. "These bigger companies have grown as fast as the smaller ones," said an analyst at another majo West German bank, "Their multi-

ples are still attractive." Analysts, however, are less excited about some of the new issues that captured the attention of investors earlier this year. Nixdorf, the computer maker, is selling at

twice the market multiple.
Investors are pursuing a similar strategy in Switzerland. The Swiss Bank Corp. index closed Friday at 587.4, up 45 percent from the start.

Among Zurich analysts, the consensus is that the highs have not yet been reached. Most experts expect the Zurich market to add 10 percent or 15 percent in value within the next three to six months, an increase likely to send the Swiss Bank Corp. index comfortably above the 600 mark.

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ed in the conviction that the already flourishing Swiss economy will strengthen even further in the early part of 1986. Company earnings, which were excellent in 1985. are expected to increase by 15 per-

Source: Dat

cent to 25 percent in 1986. Foreign investors should be aware, however, that they cannot hope to find a hidden bargain or unnoticed laggard on the Zurich Stock Exchange. The market is too small to allow for hiding places. But analysts point to a few shares that have risen less than the indices or hold special promise for above-average gains in 1986.

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Two famed Swiss names that have underperformed are the drug-making concern, Hoffman-La Roche, and the engineering and machinery company, BBC Brown, Boveri & Co. Hoffman-La Roche's stock has trailed the market by 20 percent for the past six months, but the company is very healthy and dedicating such huge sums to research that the shares may be poised, in the opinion of some analysts, to catch up with the

Potential big earners include all five of the largest banks — Union Bank of Switzerland, Swiss Bank Corp., Credit Suisse, Bank Len, and Swiss Volksbank.

In Amsterdam, analysts are confident that the market will contime its advance in the first quarter. Food shares like Unilever and from strong export earnings, continue to rate a buy from most observers. Philips, the giant electronics groups, and Royal Dutch Meanwhile, Stephen Butt, head of Morgan Stanley Asset Manage-ment in London, thinks it is time to look at the depressed sectors as

market. Brown, Boveri, a highly regarded engineering outfit, is re-garded by some analysts as the lowest-priced Swiss high-technolits majority if elections were held

BSN. Others are giving high marks to Pengeot and Michelin as long-

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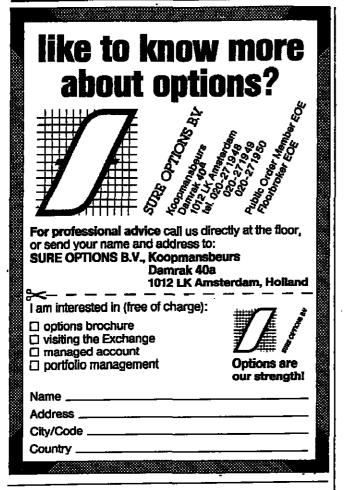
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Beyond the debt crisis-





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Using Options For Betting On the Dollar

By H.J. Maidenberg

OR THE investor who is interested in the foreign exchange market, currency options afford a convenient way to take a position on whether the dollar will rise or fall within a certain period of time. Given the uncertainty of the dollar's future course, an investor who guesses cor-rectly can reap lunge profits. Those who are wrong can lose their entire investment, but unlike the futures market, they will never be at risk for more than they originally have put up, and that can be as little as \$1,000 or \$2,000.

Many options players, for example, doubled their money on Monday, Sept. 23, and have increased their profits since then. The reason: on Sunday, Sept. 22, the United States, Britain, France, West Germany and Japan agreed to work toward the reduction of the dollar's value. The next day, the dollar dropped 5 percent, its largest one-day decline ever, and it has been in a downward trend since. Those who made money had purchased call options on such currencies as the British pound, Japanese yen and Deutsche mark. In effect, they sold the dollar short by betting that the underlying foreign currencies would rise against the dollar. On the other hand, those who sold the call options

on those foreign currencies in the belief that the dollar would remain strong or appreciate further

An option gives the buyer the right, without any obligation, to buy (call) or sell (put) a certain amount of foreign currency at a specified "strike price" during a fixed period of time. The cost of the option is termed the premium, and it is determined through a continuous exchange auction process.

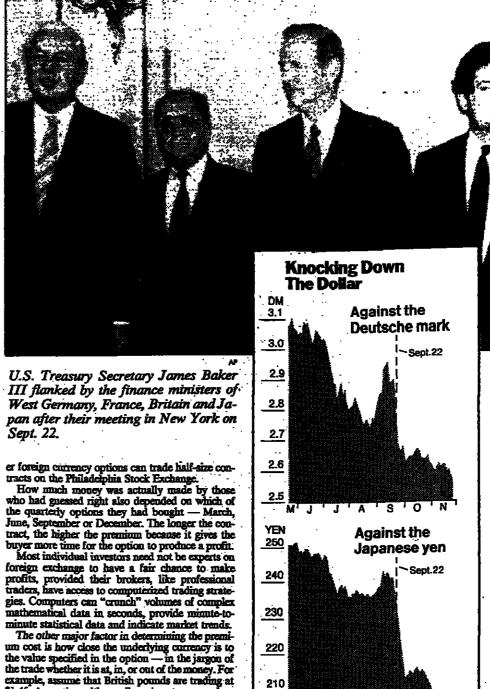
Options are "written" by investors who do so simply to earn the premium. Because writing entails unlimited risk for limited profit, only the most experienced options traders should engage in this side of the business. The same applies to the multitude of strategies that involve simultaneous purchase and writing of options, or combining options

The ordinary investors need only make a few decisions before investing in currency options, and the first one, obviously, is whether they think the dollar will use or fall," said Alan C. Leventen, president of Twenty-First Futures, a unit of Twenty-First Securities Corp. of New York. "The second decision is how long it will take for the dollar to perform as expected, what foreign currency should be used as a surrogate for the dollar and, finally, how much to invest."

Most experts expect the dollar to decline over the next year, but no one can say how far or how quickly it will fall. Those who judge correctly could be big winners in the currency options market because options are highly leveraged instruments, Mr. Le-

The behavior of the British pound is a prime example. When the March 1985 British pound contract expired, the underlying currency was worth about \$1.05. It was worth \$1.25 when the June option expired. And when the latest quarterly option contract expired in September, the pound was

Because the standard British pound options traded on Chicago Mercantile and Chicago Board Options exchanges consist of £25,000 (\$37,000), each cent's move by the pound raises or lowers the contract's value by \$250. Investors who prefer small-



210

buyer until they expire. Because the buyer cannot cash in a profitable option until then, buyers pay smaller premiums and the odds would seem to favor

S'O'N

By comparison, the Chicago Merc's currency options may be exercised at any time by exchanging them for the underlying futures.

Above all, investors must be alert to the fact that options are a "wasting asset." Each day the contract draws closer to expiration it either rises or diminishes in value, at a rate determined by computer, and it could expire worthless, except as a tax deduction. But the computer cannot tell the investors how much to risk betting on or against the dollar.

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Forecasts Focus **On Interest Rates**



Currency forecasting has never been a exact science, as the dollar's erratic journey over the past five years has shown. But the Group of Five's September meeting has provided another argument for a further decline in the U.S. currency in 1986. The market believes that

"recovery of the dollar will not be allowed" by the Group of Five, says John R.

Tom Boom Hardy, director of Chemical Bank's foreign advisory service. The dollar's value has dropped 15 percent since the United States, Japan, West Germany, Britain and France an-

nounced Sept. 22 that they would coordinate efforts to bring the dollar down. Mr. Hardy projects exchange rates of 2.40 Deutsche marks and 190 Japanese yen per dollar by next June. His estimates are based on expectations of continuing softness in U.S. interest rates and economic growth in Europe, especially in West Germany.

Kota Waschio, a Tokyo-based economist with Nomura Securities, matches Mr. Hardy's projection for the yen, but places the mark slightly higher, at 2.45, by mid-1986. Mr. Waschio expects the Federal Reserve to cut its discount rate once or twice next year. He does not expect Japan to take similar measures before next spring when "the central banks of Japan and Germany may be forced to strengthen their own currencies to fend off protectionist sentiments in the U.S., especially since 1986 is an election year."

Stephen Lewis, an economist with Phillips & Drew in London, stresses the desire of the U.S. government to have the dollar fall gradually. That is why he does not expect the Federal Reserve to cut the discount rate by more than one-half a percentage point in the early months of next year. He puts the dollar at 200 yen and 2.50 marks by mid-year. He expects that Japanese efforts to bolster the yen will push the dollar under 200 yen by the end of 1986.

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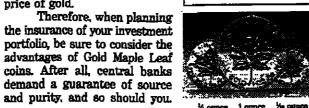
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Gold Maple Leaf. There is no substitute for purity. Gold Maple Leaf is available at most banks, savings banks and coin dealers internationally.

Cautious Decontrol for Europe's Funds quirement that many fund offi-cials say is one of their biggest

(Continues from Page 11)

\$1.45. An option with a strike price at or very close

to \$1.45 would be an "at-the-money" contract.

Strike prices for currency options are set as various increments, depending on the size of the contract.

Using the same example, a pound call option with a strike price of \$1.425 or less would be termed "out-

of-the-money," while those trading at \$1.475 or more would be "in-the-money." But an out-of-the-

money option does not imply that it will carry a less

expensive premium or that an in-the-money contract will be costlier. The premium depends on

which way the market consensus leans.

Recently, for example, when the pound was worth

\$1.40, the premium for an at-the-money December option on the Chicago Mercantile Exchange was 4.30 cents per pound, or \$1,075 per £25,000 con-

tract. At the same time, a December \$1.375 out-of-

the money option traded at a premium of 5.5 cents, or \$1,375 per contract, while an in-the-money option with a strike price of \$1.425 carried a premium

Another variable in the pricing of premiums was introduced Sept. 30, when the Chicago Board Options Exchange began trading "Enropean style" currency options, which cannot be exercised by the

of 3.25 cents, or \$812.50.

new directive would have to be egotiated with the two new mbers, EC officials said.

What the directive does is set out basic requirements for the of the funds. If a fund located in

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current obstacles to foreign sales and they believe it is one of the

There are only two EC coun-

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marketing research next year in several Enropean countries. Mr. St. Giles sees another chal-lenge in finding foreign intermediaries — a natural bit of "commer-cial brutality" in the attitude of national fund markets toward outsiders, which he said will make international transactions "slow

British fund group.

Giles, director of GT Unit Managers — although the British Parlia-

ment is to soon consider a bill allowing this technique.

Another major problem that funds face when trying to break into a foreign market is establish-ing a distribution network that

will give them access and credibility. "If I walked down the street in West Germany and tried to sell, no one would know anything" about the fund's quality, said Paul Bateman, marketing and develop-ment director of Save & Prosper, a

To meet this problem, Mr. Bate-

man said, his company plans to do

Cross-border sales of funds also are limited by the foreign-ex-change controls in four EC counties — France, Italy, Ireland and Greece. A second directive ap-proved by the ministers actually allows the free flow of capital concerned with fund transactions, but countries with balance of payments problems or capital flight difficulties are permitted to ask for exemptions from this requirement.

Steven J. Dryden

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Foldbugs Pin Their Hopes For 1986 on Inflation

he metal's vigor vilts at about \$340, ut platinum's rise ffers some hope.

By Bruce Hager

HE NEWS for precious metals has been pretty good lately. The Group of Five's intervention significantly weakened the dollar, metals prices have stabilized their 1985 lows and the Federal Reserve's emmodative monetary policy is leading some to dict higher inflation in the months to come.

it to date, precious metals have acted with more ince than glee. At the New York Commodities hange, traders still haggle over nickel and dime ves while gold and silver prices sit stubbornly in. middle of their 1985 price ranges.

O() I don't see any major influences pushing gold ses higher," said Michael Coulson, gold analyst hillips & Drew in London, adding that he thinks h 1 prices might even drift below \$300 by February danse of investor apathy.

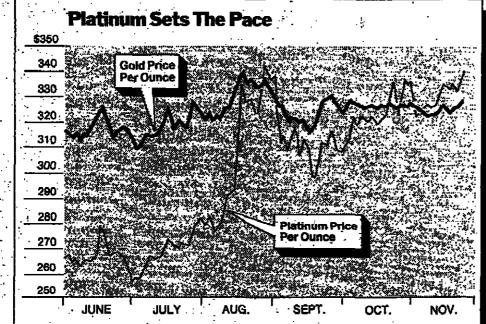
he reason is that inflation continues to be neglile, enhancing the relative attractiveness of finaninstruments. In the United States, the rise in the sumer price index slowed to a 2.3-percent annual in the third quarter from 3.3 percent in the vious quarter. On a global basis, inflation rates expected to decrease toward the end of next year. Organization for Economic Cooperation and elopment projects that inflation will duplicate 1983 annual rate of 4.75 percent for the first half 1986 and dip to 4.5 percent during the second

Fig. 1f you don't think inflation's going to be boom-access ahead, you're not going to get a booming rally," The convedged Fred Bogart, chief precious metals lyst for Republic National Bank in New York, In he late 1970s and 1980 would spark a rush to

here is still hope, however. Technical analysts argue that the five-year bear market has given to a sustained "basing," or sideways pattern, ected by the narrow trading ranges for gold and are or this year. Indeed, analysts note that gold has him and support above \$300 from central banks, who be net buyers in 1985 for the first time in two : 1 x: -xs. The implication of that pattern could be a a case expounced upward movement within the next six

* the minds of some observers, platinum, the ** ** volatile precious metal, could prove to be the alyst. An \$18 sarge near the end of November tied the January futures contract price to \$355 an ce, a high for the year, leading some analysts to gest this could be the harbinger for a long-cipated bull market in gold and silver.

Platinum is going to lead precious metals," as-ed James Kneafsey, president of Cambridge amodities Corp., a research firm in Cambridge,



Massachusetts. He said that the metal could move up gradually to \$380 to \$390 an ounce over the next

The key difference between platinum and the other precious metals is that platinum is more price sensitive to certain geopolitical factors than gold and silver. South Africa, a country of increasing political turnoil, controls 75 percent of the world's platinum supplies. The Soviet Union is the other

"There's much less above-ground stock in plati-num, which means that platinum is much more vulnerable to a cessation of supply from South Africa" than is gold, said Alan Davidson, a precious metals analysts with Shearson Lehman Bros. in

At the same time, industrial demand is strong. Platimum is an integral component in catalytic converters for antomobiles. Worldwide demand is expected to jump 19 percent within six years if the European Community mandates converters on European cars and trucks.

Not surprisingly, many investors think the metal's volatility can trigger a bullish response from gold and silver. Only a few months ago, platinum was trading at a \$60 discount to gold. Since then, prices have shot up 75 percent and the metal has been trading at a \$25 premium.

"People suspect that when platinum is trading at a mium to gold, you're going to have a gold rally," York Commodities Exchange. Recause platinum rises faster than gold during rallies, he explains, the platinum premium can be used as a measure of

Historically, there is some truth to this. In 1980, when precious metals topped out at the height of inflation, an ounce of platinum was \$1,189.50 more than a \$300 premium to gold's record price of \$875. Silver, the so-called "weak sister" of precious metals, had a high of \$50.35 the same year.

If gold is going to rise, it will need platimum's lead. True to form, gold has risen inversely to the dollar,

Technical analysts now are using that \$340 high as a resistance barrier that gold most break through if there is to be any kind of sustained rally. But gold has found stiff resistance at even \$330 an ounce, and

few analysts predict a short-term breakout.

from a bottom of \$281 in February to \$340 on the threat of a miner's strike in South Africa last Au-gust. Since then, the price has settled to its current range of \$320 to \$330.

clients to buy "cautiously."

One factor that could change that near-term situation is the tin crisis affecting the London Metals

"I'm inclined to think your chances are no better than 60-40" that gold will go to \$340, said David Linnehan, senior metals analyst with Merrill Lynch Futures Inc. in New York. He has been advising

Striking

One of the popular coins among silver investors is the Libertad, a one ounce coin minted by the Banco de Mexico. Over 2 million have been minted in 1985. The coin sells for about \$1.50



Exchange. If tin prices go crashing, says Bette Rap-topoulos, senior metals analyst at Prudential-Bache Securities, that might spark a flight to the "safe haven" gold provides and a 10-percent price im-

Another is the long-term bullish technical senti-ment. Mr. Murphy thinks that a five-year decline in commodities prices is over, reflected by the basing or sideways trend in precious metals and commod-

"If the bullish scenario works out, then I would look at gold moving to \$400" sometime in 1986 but not within the next two or three months, he said. "I think the people who are bearish on gold are not looking at the broader picture."

If gold has lost its glitter, then silver has acquired a tarnished reputation. The one bright day in silver trading occurred in early October, after a report said that the Hunt family had sold 90 percent of its 59million-onnce horde. Prices jumped 33 cents to \$6.50 but then quickly fell back again to their current \$6.15-to-\$6.30 range.

ANY analysts thought that the Hunt family sale would remove an important psychological barrier. There was fear the financially troubled family might suddenly flood the market with one big sale, causing prices to tumble even lower. Although the family secretly liquidated its stocks over a matter of months, the same analysts now say that the Hunt silver has merely added to an overall market surplus. That, combined with weak industrial demand, has created short-term resistance at \$6.40 to \$6.50 an

"To relieve the downside pressure requires a weekly closing of \$6.45," said Martin Armstrong, chairman of Princeton Economic Consultants, adding that such a move is not immediately likely.

The good news, however, is that silver prices have found long-term support at \$6. "I wouldn't rule out the possibility of near term weakness," warned Ber-nard Savaiko, a senior precious metals analyst with Paine Webber in New York, but "I think around \$6, silver's cheap and won't fall that much lower."

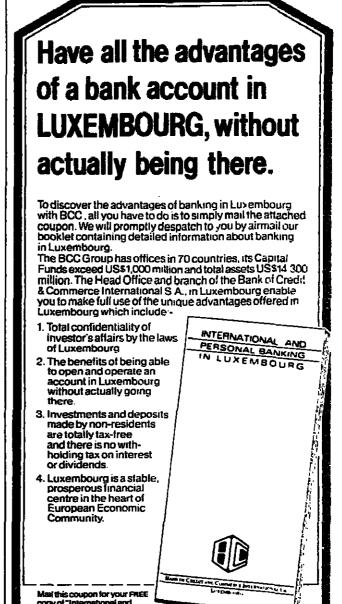
There is a similar consensus for palladium. A member of the platinum group, palladium has re-cently found a niche from \$95 to \$100 an ounce, a little above the 1985 low of \$91.40 in March, Analysts say that short-term stability could lead to an upward trend over the long term. But the metal's price is likely to remain uncertain over the next six

The main reason is weak industrial demand. Like platinum and gold, palladium is used in electronics as connectors and contacts in computers. But the weakness in the computer and electronines industry has led to a corresponding decline in palladium demand, according to Mr. Linnehan at Merrill Lynch. He expects palladium prices to fluctuate from \$92 to \$110 over the short term.

Adding to the uncertainty is the Soviet Union's response to a price upswing. The Soviet Union is the world's biggest palladium producer and in the past has sold huge amounts on the world market when prices were attractive.

Still, Mr. Linnehan and other analysts say the longer term prospects are strong. Palladium also is used in catalytic converters, though to a lesser extent than platinum. If the EE chooses converters for automobile emissions controls, prices could grow at a double-digit rate, analysts say.

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We made this watch for you - to be part of your life - simply because this is the way we've always made watches.

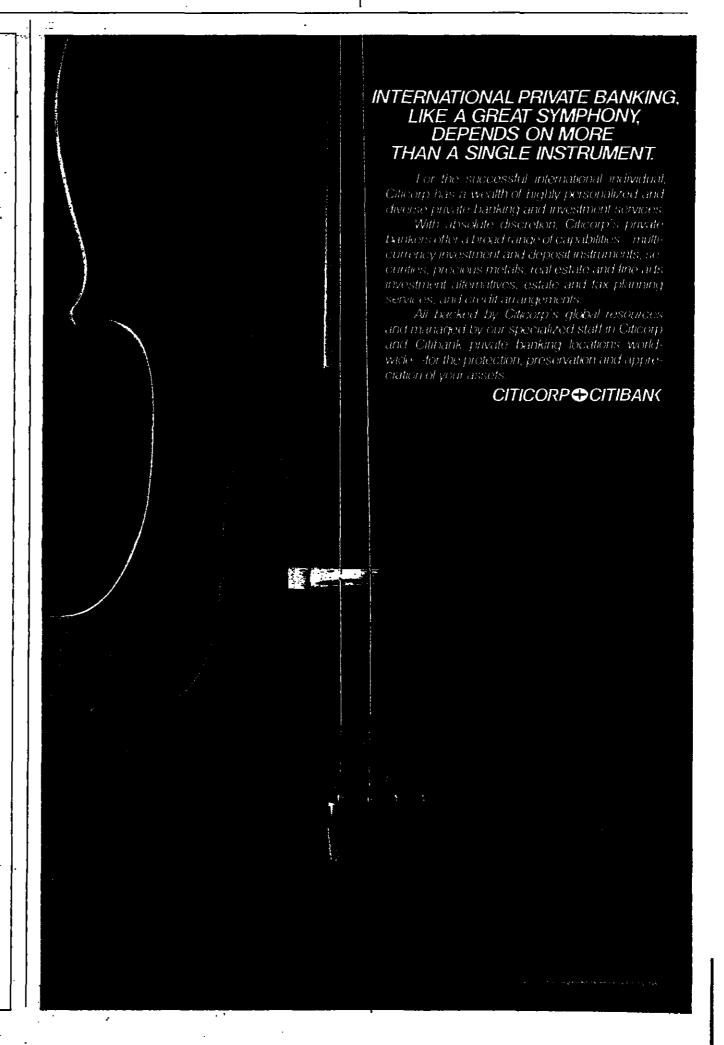
And if we may draw a conclusion from five generations of experience, it will be this: choose once but choose well.

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Harry Schultz: Still Unafraid to Go Out on a Limb

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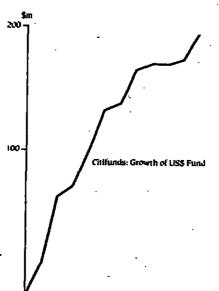
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Citifunds achieves yields which provide a significant uplift over short-term interest rates. From January to October 1985, the dollar fund, which has two day liquidity by telephone, achieved a yield of 8.07% p.a., which bettered the London call rate available during the same period by 0.35%, and nearly equalied the one month London Interbank bid rate of 8.11% p.a. And this was before any rebate of the Management Fee.

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ADVISED BY CITIBANCO

By Edward Rohrbach

T'S NOT Harry Schultz's fault that so many people want to be rich. Or maybe, in the case of most of his faithful readers around the globe, just want to hang on to what they have.

His "International Harry Schultz Letter," written here in his office overlooking the casino and Mediterranean, commands a readership of nearly 10,000, making it one of the highest-circulation investment advisory letters of the hundreds that exist. At \$250 per annual subscription, or \$2,000 for a lifetime subscription, it is also one of the most expensive.

For personal financial consultations, he unflinchingly charges \$2,000 an hour, which the Guiness Book of World Records says makes him the "world's highest-paid financial consultant."

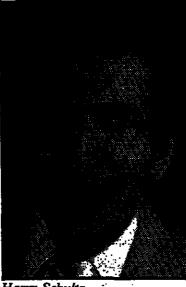
Mr. Schultz, who pioneered investme minars almost 20 years ago, also "probably is the most popular speaker on the circuit today," according to Charles Githler, president of Investment Seminars Inc., which organizes about 10 big international events a year.

"Harry's always so outspoken, so specific," Mr. Githler added. "He doesn't mind going out on a limb — I suspect he enjoys going out on a limb." Mr. Schultz, a Milwaukee-born expatri-

ate who travels the world, likes to tell his audiences: "I'm never wrong . for more than 24 hours." As he explains with a characteristic imp-

ish grin: "I've been off on a lot of things, but I don't sit on a prediction that turns out wrong. You can't fight the market trend. That's what separates the winners from the losers."

He is a strong advocate of hedging positions and other defensive tactics to cut losses, such as setting a price below cost at which he will automatically bail out of a



Harry Schultz

stock or a commodity. His popular refrain is "don't fly in the marketplace without a

Trading is for widows and orphans, while long-term investing is for Las Vegas gamblers," he asserts. His point is that often self-styled conservative investors will watch something they have bought go down 10 percent, then another 10 percent, and when it drops 40 percent say, "Now it's too low to sell."

He goes so far as to maintain that picking wrong stocks can be overcome if an investor's factics are good.

His best call came in the summer of 1984 when he predicted that interest rates had topped out in the face of the consensus view that "crowding out" by U.S. government borrowing would drive them much higher. He strongly recommended buying bonds and Treasury bond futures. And, in fact, interest rates on long-term

bonds have dropped about 3 percentage

points since then. So sure was he of another imminent opportunity last May that he told his large audience at a seminar in Lausanne to leave immediately — "Don't even wait for the next speaker" — and buy Treasury bond futures. They shot up 2 points over the next week, affording investors an 80-er-

cent profit per \$2,500-margin contract. Charts, which plot past price move-ments, are what guide Mr. Schultz in his

investment decisions. *Charts scream at you whether to buy or sell," he said. "There are several hundred thousand people drawing charts in

the world, but only a few are Renoirs." He maintains that the majority of chartists paint themselves into a corner by "letting a prejudice influence them. You need a blank mind to do a chart."

In his most recent newsletter, just published, he applies another favorite investment tool, the "law of contrary opinion." Mr. Schultz notes a new poll in U.S. News & World Report in which 86 percent of 49 top American economists surveyed predict that interest rates will either go up or stay

"Obviously, these economists don't believe in or can't read charts," he writes. "This same group has been wrong over the last 16 months."

Mr. Schultz, who said his personal commodity account this year is up 81 percent. claims millionaire status dating back 15 years, which is not disputed by several others in investment advisory business who have known him over the years.

But one of them said: "He's a secretive little guy, tight with money."
Soft-spoken and physically slight, Mr. Schultz notes that "I like to keep a barrier between myself and the public." He is a devotee of astrology, numerology, gra-

phology, physiognomy, or face reading, and takes all four into account in hiring

staff and making friends.

James Blanchard, who ran an invest ment seminar last month in New Orleans that Mr. Schultz addressed by telephone, calls him "a real investment genius." while also allowing that "he's eccentric, but with

Mr. Schultz traces his success in investing to "always questioning the system, even as a boy growing up in California," plus the experience of serving as a sergeant with the U.S. Army Air Corps in Shanghai at the end of World War II. "There was an explosion of capitalism in China then," he said, "and the year I was there I got a

UT "freedom" is the central theme of his feisty 12-page letter, now in its 22d year of publication and written in an abbreviated, breezy style to pack in more of his views: "Can you imagine all the trees cut down because people don't just use the ampersand," he lamented.

lifetime's worth of education investing in

silk stocks, gold bars and Chinese curren-,

Freedom from the "welfare state" and government interference generally are what he focuses on. Most of the letters he receives from readers, in fact, do not have to do with investments, he said, but the topic of individual freedom.

bumper stickers.

Despite his sharp pen, Mr. Schultz, in the words of a fellow traveler on the investment seminar circuit, is a "teddy bear." He recounted an episode about 10 years ago in Vancouver when Mr. Schultz pulled up his car after having driven across. Canada from another seminar in Toronto. Spotted between the seats was a pistol, but on examination it proved to be a starter's

FUNDS

The Stormy Return of the Fund of Funds

By Colin Chapman

HEN the British brokerage Grieveson Grant went to the Department of Trade and Industry earlier this year with a proposal for a fund that would invest only in other funds, few observers expected it to get more than a courteous rejec-

Over the years, dozens of other applicants had tried and failed to win British approval for various

types of "funds of funds." A few gave up and organized their funds offshore. Official reluctance was traced to the memory of the col-lapse in 1970 of Bernard Com-feld's Investors Overseas Services, which had employed the "fund-offunds" approach. Considering the cloud of disrepute that still hangs over the concept, the British investment community was joited by the department's approval of Grieveson's application to set up a "fund of funds" called the Barrington Planned Investment

Both the timing and the rules established for "funds of funds" have come under heavy criticism from other financial service institutions, particularly some of Grieveson's competitors. Michael Hughes, a partner at brokers De Zoete & Revan, said the decision shows every sign of being illthought out and is a curious move by the DTI at a time when conflict-of-interest issues are under major discussion and a bill is imminent on City regulation."

Under the new rules, an ap-proved "fund of funds" is restrict-

lent of mutual funds. This is in contrast with the rules that govern similar types of funds in the United States, where they are required to invest only in funds other than those run by the managing group. The British-approved fund of funds" must be in a group that holds at least four trusts, and not more than 50 percent can be invested in any one.

The fund may make an initial charge on an investment, but cannot charge investors with front-end fees when buying units from a subsidiary fund. It may, in the manner of discretionary portfolio services, charge annual management fees on both the "master" fund and the subsidiary funds.

"Frankly, it is not a very good product," said Dick Eats, director of GT Management of London. "It is all right for people with large sales forces to feed, but we see them as a clumsy way of investing. People would be much better off in an international unit trust which does much the same thing, only more cheaply and effective

The originators of the new breed of funds argue that they are aimed at investors who are looking

Market Scoreboard

and who may not have the re-sources to build up a diversified portfolio of unit trust shares. "An increasing number of peo-

ple are looking for something that is steady if unspectacular and is not going to risk losing them a great deal of money," said Peter Saunders of Grieveson. He notes that developments such as the privatization of British Telecom and new profit-sharing schemes have increased the number of people with "spare capital and savings." Indeed, the "funds of funds" are

being seen by some investment professionals as a marketing strategy designed to give the insurance industry a new product to sell and to help them compete for savings with building societies, Britain's home loan banks. Life insurance policies that are linked with unit trust purchase plans have long been a mainstay of the British sayings scene.

Mr. Saunders acknowledges that Grieveson Grant hopes the Barrington Planned Investment Fund will lure some money away from savings kept in building society accounts. Even a modest penetration of that market could add

up quickly. The total amount of money invested in all unit trust is put at £18 billion (\$26 million). The largest building society, Hali-fax, alone holds £20 billion of sav-

Okay, it is a marketing ploy. said Mr. Saunders. "But the fact is that it is really an extension of our portfolio management service. where we suggest that £10,000 is our savings plan you can get essentially the same advice for an investment as little as £20 a month." He said investor response to the Barrington fund has been "quite

The most closely watched issue will likely be the potential for conflict of interest. The manager of of "fund of funds" who wants to shift assets among the subsidiary funds from his colleagues who manage the funds that would lose assets.

Says Mr. Eats of GT Manage ment: "If the U.S. market cracks and you go to your American fund manager, and look him in the eye and say you are going to sell £10 million of units, he will say, 'No you are not."

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The Perils

STRATEGY:

Of Buying 'Bargains'

Poorly performing stocks have slipped as much as 10 percent during December, when investors engaged in "tax selling," reaping losses to apply against their taxes. But because a bull cycle is ending attractive bargains are sparse this season. "It's a quality-dominated market," said John Connolly, investment strategist at Dean Wit-ter. "Anything that has been pushed low must have some wart

Edward Kerschner, a strate with Paine Webber, agrees. He says that his firm has not developed "a tax-loss strategy" this year because tax selling is at a minimum. The market is driven primarily by institutional investors, such as pension fund managers, who have no need for losses,

Still, stalwart bargain hunters are not allowing such bullish senti-ment to spoil their yuletide tradition. They are focusing their search on energy, oil-service, natural gas pipeline, small technology, hospital management, metal, and steel company stocks. These cyclical sectors have been the hardest hit, said Newton Zinder, senior vice president of E.F. Hutton. Some are at their lowest levels since the start of the year. . .

Even though the market recentgressive secondary stocks, such as California Microwave.

ly has shown signs of shifting emphasis from the better-performing financial stocks to weaker cyclical shares, it is no guarantee that these stocks are building for a rally next year, said Frank Korth, vice president of research at Shearson Lehman Bros. But for investors willing to take a chance on a strong economic rebound should consider Kaiser Aluminum, Rohm & Haas, and Chemed, according to Mr. Korth. He also recommends ag-

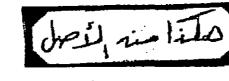
Leslie Whitaker

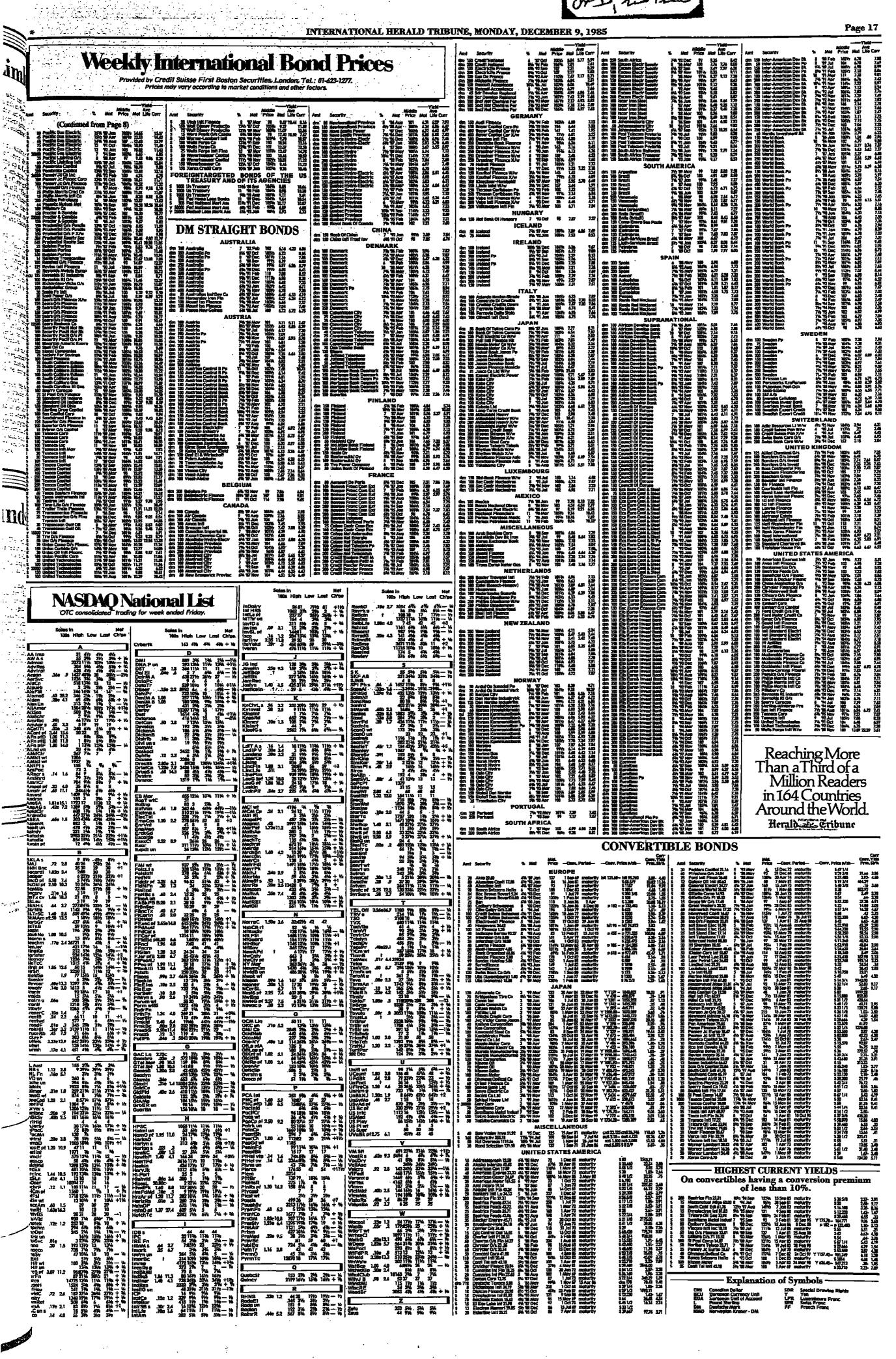
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Wieboldt Stores	40	13.25	Mattel Inc.	21	11.7
Vomado	35	83.25	Texaco	īė	32.5
Pennzoil	33	62.75	Tidewater	17	12.5
Rollins Envir.	33	16.13	Rorer Group	17	35.0
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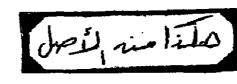
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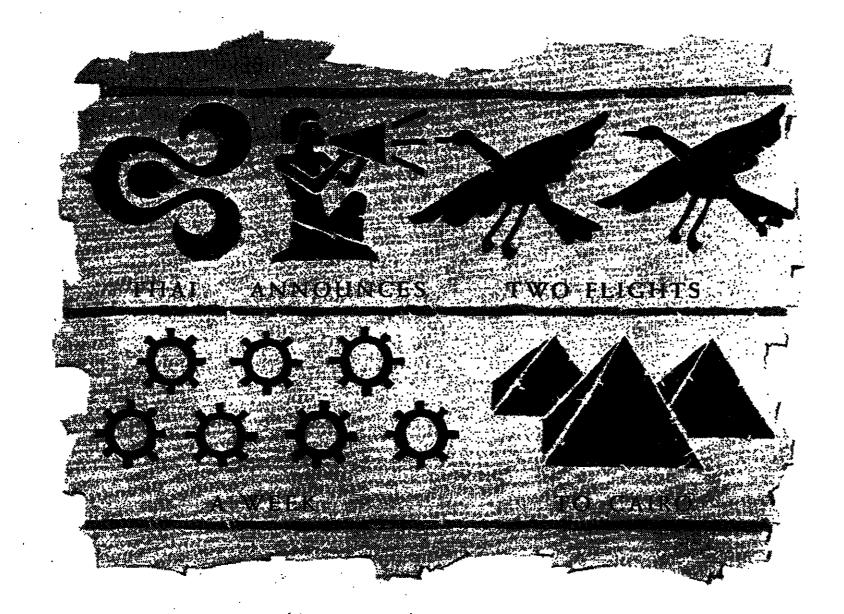
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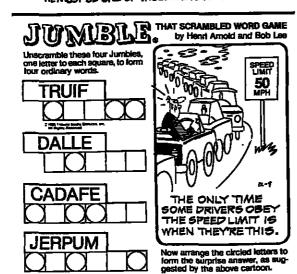
57 Corn on the-59 Achieve

New York Times, edited by Eugene Maleska.

DENNIS THE MENACE



HE MUST BE ONE OF THOSE METEOR READERS.



Jumbles: AFTER IMPEL MUFFIN TWINGE Answer: What a blizzard might do to daily life-

WEATHER

EUROPE <u>ASIA</u> **AFRIÇA** LATIN AMERICA NORTH AMERICA MIDDLE EAST <u>OCEANIA</u>

MONDAY'S FORECAST—CHANNEL: Smooth, PRANKFURT: Cloudy, Temp. 8—7 (30—45). LONDON: Cloudy early, lair later, Temp. 7—2 (45—36). AMADRID: Cloudy early, foir later, Temp. 8—4 (46—37). NEW YORK: Partiv cloudy. Temp. 8—2 (43—36). PARIS: Cloudy early, foir later, Temp. 9—4 44—37). ROME: Cloudy. Temp. 8—10. (37—90). TEL AVIV: Poir. Temp. 3—10 (77—50). ZURICH: Cloudy. Temp. 8—2 (44—36). BANGKOK: Federary. Temp. 33—4 (79—75). NONG KONGS: Foir. Temp. 20—15 (62—91). AMANILA: Foir. Temp. 31—24 (18—75). SEGUL: Foir. Temp. 3—4 (27—18). INCAUDURE: Thunderstorms. Temp. 29—24 (44—75). TEMP.

PEANUTS

BEETLE BAILEY

NOBODY

AROUND.

I'LL JUST

AND COOL

HE DOESN'T LOOK! LOOK AT THIS WHAT IF HE HAS A LOOK AT THAT PICTURE LIKE HEART ATTACK WHILE HE'S HAVE A PICTURE OF SANTA CLAUS! AGAIN .. NOTICE ANYTHING? WHAT? COPILOT!! FLYING THROUGH THE AIR DON'T TELL ME HE ISN'T ON CHRISTMAS EVE ?!. OVERWEIGHT! BLONDIE TOMORROW IS THE GLAZED POUGHNUT

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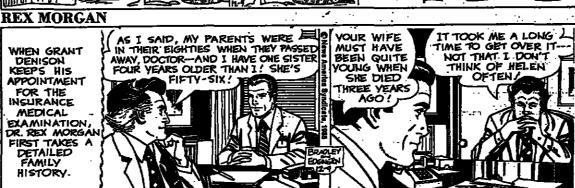


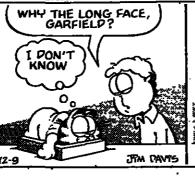




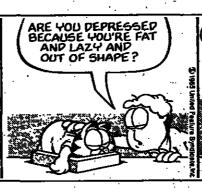


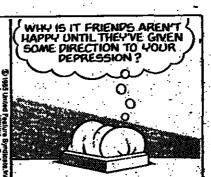


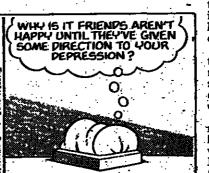




GARFIELD







BOOKS

THE VISITORS

By Ronald Blythe. 239 pages. \$16.95. Helen and Kurt Wolff/Harcourt Brace Jovanovich, 1250 Sixth Avenue, San Diego, Calif. 92101

Reviewed by Michiko Kakutani

N "Akenfield," his superb oral history of 3 Suffolk village, the British writer Ronald Blythe drew a minutely detailed portrait of life in the English countryside. By interviewing members of the community from all classes and professions - from an illiterate hermit to the blacksmith to the local justice of the peace - and allowing them to deliver monologues to the reader, Blythe stripped away nostaigic fan-tasies of a pastoral Eden and replaced them with an unsentimental picture of the repressive, fatalistic — and often stultifyingly provincial — way of life that still exists not very many miles from London.

In "The Visitors," a collection of short stories belonging, the author points out, "mainly to the first years of my writing life," Blythe takes on, in fictional terms, much the same territory he covered as a journalist in "Akenfield." The setting, for the most part, is the rural England of his childhood — "on the face of it," as he wrote in the earlier book, "the kind of place in which an Englishman has always felt it his right and duty to live." "the real country, untouched and genuine." And the dominant emotions, again, are a sense of suffo-cation, of lost innocence, and of time past intrading inelactably upon time present.

It is a peculiarly hermetic place, this world portrayed by Blythe, full of the sort of social backbiting that obtains among people of all classes in an isolated community.— whether classes in an isolated community they like to hold snooty salons in their parlors. sipping tea off a service from the Omega workshop, or pass the time aiting about a grubby kitchen, listening to the rats scuffling in the garbage outside. An aging spinster finally gets married, and the other women cattly point out that she can't even cook a turnio mash: a would-be poet moves into the neighborhood, only to be immediately pegged as a phony D. H. Lawrence. Even the sort of burial that a loved one receives is carefully noted by the

neighbors.

If gossip is a primary activity in Blythe's fictional world, it is partly because anything so

Solution to Friday's Puzzle



threatening as an actual emotional exchange is regarded as something to be avoided at all costs. Much is made of illicit sexual encounters - and the loss of innocence such enco entail. And when the characters are not busy keeping secrets from one another, they are dissembling in more subtle ways. Often they feel nothing but a deadening sense of duty toward the people they should be closest to, and so end up seeking some sort of release or passing connection with a stranger, encountered half by chance.

An itinerant Jehovah's Witness, a handsome young man strolling in the park, a group of soldiers temporarily billeted near town, a new artist in need of patronage — these stranger, all provide the frustrated women in Blythe's stories with intimations of passion, or at least serve to remind them that more exists beyond the confines of their attenuated lives.

Indeed, many of the characters in the stories are, as the title of the volume suggests. visitors — travelers who have happened by, exiles returning at last to their homes, or sunply outsiders, who, thanks to looks, class, circumstance or imagination, feel themselves not to belong. Just how they adapt to - or willfully flout - the local conventions often becomes the focus of the story.

Marian, the distracted widow in "Bride Mi-

chael" has spent the years since her husband's death camped out in her father's stuffy house, trying to hold on to "a sense of the temporary to keep her sane," all the time knowing that she is not really wanted there, that her life has been put indefinitely on hold. The narrator of "As Swan Gates, who has grown up in India, living nervously with his father and his father's mistress, finally returns to the English town where he was born, in hopes of discovering the story behind his mother's death and coming terms with his family past. Uncle Jake, one of the central characters in several of these stories, suffers from "a private nature which turned naturally to private things" — wink he is continually telling his nephew about the importance of learning, he conceals his love of poetry from his bluff soldier mates.

Although Blythe displays his usual eye for detail and a great tolerance for his characters' foibles, these tales suffer from an air of contrivance that is absent from his nonfiction. With the notable exception of a fable about a dragon and a lady that is funny in a children's book sort of way, most of his stories are old-fashioned exercises in realism that too often pivot upon overtly ironic situations or feature characters whose hypocrisy is suddenly revealed. In addition, the reader becomes imitated

with Blythe's penchant for explaining all the points he wants to make. Instead of trying to dramatize ideas or emotions, he tends to the reader exactly what to think. "Lorna lost faith in Saul," he writes in "The Church Mouse," "the delicious aura of his magnetism popped suddenly and interievably like a bub-ble." And in "Bride Michael," "a sudden crav-ing for the room itself filled him, the God centre with its misted ochre distemper, stackchairs and its mystery. He began to long for it as an exile longs for the commonplaces of his own country." In the end, such clotted prose, coupled with a deadening sameness of tone. makes for little besides boredom and fatigue.

Michiko Kakutani is on the staff of The New

BRIDGE

By Alan Truscott

ON the diagramed deal, North and South bid to showed 11 to 15 points, with at least five clubs and usually more. North's first response of two diamonds was a relay, asking for more information, and his second-round jump to four diamonds was an asking bid.

South's response showed to the ace and king, by agreement, and North plunged into six spades. This was not a good contract, but South capitalized on a favorable lie of the cards. He planned to draw three counds of trumps and lead the heart nine, hoping that West would duck, holding the acc. But when the acc and king of trumps brought a heart discard

from East be had to switch plans. He had to try for a remote chance: a club distribu-tion that would allow him to

Instead of trying to avoid the loss of a heart trick, he had to try to make one. He entered his hand with another trump lead, led the heart nine, and r guessed right by playing the jack from dummy. East won and returned a diamond.

South won and led the club queen for a finesse. When this won, and the nine fell from East, South began to feel hopeful. He continued with the iack, and West covered the king. When he won with the ace and saw the ten appear, South was a happy man.

with the seven, and South thankfully led the last trump six spades. The opening two- avoid the loss of a trick in the from dummy and claimed his

The heart king was cashed, permitting a diamond discard,

4 10 9 SOUTH (D) **4**Q354 ⊽9 OAK4 #QJ652

SPORTS BRIEFS

U.S. Swimmer Sets 50-Meter World Record

AUSTIN (AP) — UCLA's Tom Jager set a world record in the 50-meter freestyle on Friday, the first day of the U.S. Open international swimming meet.

Jager learned earlier in the day that FINA, swimming's international governing body, had voted recently to recognize the 50-meter freestyle as an international event, thus elevating the fastest time from a world best to a world record.

"I was pretty fired up," said Jager, whose time of 22.40 was ,12 seconds faster than the world best set by Switzerland's Dano Hall earlier this year. "A world record is really something to be proud of, and that gave me an incentive that last 25

South Korean Wins Junior Flyweight Title

TEAGU, South Korea (AFP) — Yu Myung Woo of South Korea won the World Boxing Association junior flyweight title Sunday by defeating the champion, American Joey Olivo, on a split decision.

Judges Samuel Conte of Puerto Rico and Carlos Berrocal of Panama scored the 15-round fight 146-141 and 148-142 in Yu's favor. Judge Jesus Celis of Venezuela had Olivo ahead, 145-143.

Although there were no knockdowns, Yu's aggressiveness paid off in the 11th round when a straight left and a right hook to the jaw made Olivo back up. The champion, his legs wobbling, survived only by clinging to the challenger.

Kiehl, Steiner, Mair Win Cup Ski Races

SESTRIFRE, Italy (AP) — West Germans Marina Kiehl and Michaela Gerg finished 1-2 in the giant slalom Saturday that opened the women's World Cup skiing season and Roswitha Steiner of Austria edged Erika Hess and Brigitte Oertii of Switzerland to win Sunday's slalom.

In Val D'Isere, France, on Saturday Italian Michael Mair won his first ou downhill with a two-heat clocking of 2 minutes and 1.32 seconds down the 3,298-meter (10,820-foot) course. Mair was .34 seconds ahead of overall cap champion Marc Girardelli of Luxembourg, who achieved the best downhill finish of his

Kichl negotiated the Kandahar-Banchetta track, which dropped 475 meters, in 1:28.44; Gerg was timed in 1:28.66. In Sunday's race, each of whose runs were flagged with 54 gates, both Oertli and the former world slalom champion Hess were .30 seconds behind Steiner's 1:30.02 aggregate.

Langer Takes South African Golf Tourney

SUN CITY, South Africa (AP) — Bernhard Langer of West Germany shot a one-under-par 71 on Sunday to win the Sun City Million Dollar Golf Challenge, beating Lanny Wadkins of the United States by two strokes. Langer carded 278 for the 72-hole tournament. Wadkins, closing with a 73, was at

280 while Mark O'Meara of the United States finished third at 69-281. On Saturday, both Langer and Wadkins shot 68s to share the lead after Lee Trevino of the United States, the overnight leader, fell two strokes back with a 71.

Ouotable

Cincinnati Bengal quarterback Boomer Esiason, on Sunday's game against Dallas: "The first thing that comes to my mind about the Cowboys is their

Curry Knocks Out McCrory in 2d for Title

By Phil Berger New York Times Service LAS VEGAS - Donald Curry,

who has sought to be counted among the clite of boxing, took a giant step toward that objective Friday night when he scored a stunning knockout over Milton McCrory at 1:53 of the second

Cobra," Carry, of Fort Worth, fought with more fury than he has truck early and with the kind of power that quickly put a confused and he stambled once before he look on the face of McCrory, who rose to his feet, taking the mandacane into the ring as the World to the count from the referee Mills Lane.

against the ropes and then into Curry's corner.

McCrory covered up, and survived the round. But with that punch, Curry, 24, sensed he could dominate the native of Detroit.

round and became undisputed McCrory attempted to box in the world welterweight champion. second round, but he could not Introduced as "The Lone Star hold off the WRA champion, who Cobra," Curry, of Fort Worth, fought with more fury than he has Teras made good on the page. He in the page A left hook to the hold to the page.

Referee Mills Lane waved Milton McCrory out and Donald Curry in as undisputed channel

ation champion, threw a left hook to the head late in the first round that sent McCrory reeling back.

hit," said Lane afterward. "After might, that unblemished record was not enough to establish Curry's credentials as a boxing superstar, one cused right on me."

> sent McCrory sprawling onto his back, and Lane counted him out "He was poking the jab out there," Curry said afterward, "and I saw that I could step inside it. I thought Milton was a lot faster. "He wasn't as strong as I thought he was And once I regiond that I

he was. And once I realized that, I started moving in. After he went down the first time, I knew the fight

Curry's 24-0 record now includes Curry, the World Boxing Associ- "He definitely knew he'd been 19 knockouts. But until Friday

capable of earning purses as fat as Carry wasted no time in finishing McCrory, 23. He hit him with a picture-perfect right-hand lead that the ones Marvelous Marvin Hagler That should change with this vic-tory. Carry millified McCroy's slick boxing skills with startling ease, and the triumph ought to give the champion the stature he and the camp felt he has been unjustly de-nied. He made a believer of McCrory, whose record is now 27-1-1. Appearing at the news conference af-

> and gave a sheepish smile. "Being knocked out," he said, "is a funny thing. I never thought I'd be knocked out. I thought I had a steel chin. It seems unreal." He appeared slightly stunned by the turn of events and repeated these thoughts several times before

terward, McCrory shook his head

giving Curry his due. "He's a good fighter," McCrory said, "And I like him personally." The two had been good friends for years, dating back to the days

when they were successful amay at DOXETS.

McCrory's parting words were:
"The Lord works in mysterious ways. I'll be back."

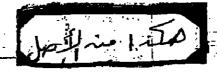
As for Curry, he now must evaluate his plans. Dave Gorman, his manager, had expected the champon to move up after this light to the junior middleweight division and

an anticipated championship light

in March

But the case with which Cours made the 147-pound welterweight limit, which in the past had been \$ strain, caused Gorman to wastic a bit. "It's still possible Donald gill-defend the unified title once; he

Each fighter received \$750,000. Attendance at the fight was 4,185 and the gate was just under \$300,000. The site of the bont, the Hilton Center, seats 9,000 people



two sets each.

Younger Swede Stuns Lendl in Marathon Semi

Compiled by Our Staff From Dispetcher

The players were off the court. He was quietly confident of his for an hour and 43 minutes. When chances against Wilander. "If I they again Edberg created they returned, Lendl promptly play like I did today, I think I have

male tennis player, in five grueling The Czechoslovak got a service Wilander holds a 4-1 career edge sets in a delayed semifinal of the break early in the fifth set, but over Edberg and, in their only

Anstralian Open.

The 6-7 (3-7), 7-5, 6-1, 4-6, 9-7

The first all-Swedish much game, all of which he squanfinals here in 1984.

He had won the first two sets final in grand slam tournament hisdered. But again he rallied, this against Zivojinovic and trailed, 0-1,

Lendl, who was jeered by the

when he walked into the press con-

WTC and Delray Beach titles," he said. "I consider myself fortunate

played cooly under pressure in a match that was scheduled for Friday, was mined out Saturday and lasted for more than four hours Sunday. He led, two sets to one and 4-4, when rain again began to fall.

Sunday. He led, two sets to one and 4-6, when rain again began to fall.

Sunday. He led, two sets to one and 4-6, when rain again began to fall.

Sunday. He led, two sets to one and 4-6, when rain again began to fall.

"I don't call this Australian title

time closing out the match.

broke Edberg's serve and tied at some chance, but Mats is a very

The Czechoslovak got a service Wilander holds a 4-1 career edge

tough competitor," he said.

He had won the first two sets against Zivojinovic and trailed, 0-1,

in the third when rain halted their

match Friday. When play resumed

Saturday, Wilander took just 29 minutes, breaking serve in the sev-

Five hours later, referee Peter

Bellenger halted play for the day as

Wilander, seeded third, beat

Hafter Classic First Rosad Sletson 76, Brooklys Cal. 69 Loyola, Md. 89, Hardin-Simmons 73 Championship: Loyola, Md. 67, Slet

Iffini Classic First Reved

Utch St. 75, Murray St. 74 Champiouskip; Illinois 115, Utch St. 64 Taird Piece: Murray St. 63, E. Kentucky Joe Lapchick Memorial

Tising Place: Columbia 81, Hotstro 40
Cactus Cinssic
First Round
Texas Christian 62, Brighten Young 50
Arizona 51, 62, Fortham 40
Champlotthibr: Arizona 91, 71, TCU 65
Third Place: Brightom Young 75, Fordham
Mapphachurars Homover Clossic
First Russed
Gonzago 62, Noward 66, DT

; long 74, Genzage 55

enth and ninth games.

SPORTS

Navratilova Beats Evert for Title; Edberg, Wilander in Final

MELBOURNE - Martina *avratilova continued her dominaon of longtime rival Chris Evert loyd here Saturday with a 6-2, 4-6-2 victory that gave her a third

AUSTRALIAN OPEN

omen's singles title in the Austram Open tennis championships.
"I wanted her and I got what I anted," Navratilova said after the anted," Navratilova said after the Event began to get into the match bour, 44-minute match before a in the second set, using her ground-

ad won the Australian championip in 1981 and 1983; she also has x Wimbledon, two French Open

mio, in 1973.

"Even though I lost the second set I felt in control," said Navrati-

NEW YORK - Anburn tail-

NEW YORK — Anburn tailack Bo Jackson, the front-runner
r the 51st Heisman Trophy, won
lege football's most prestigious
dividual honor Saturday.
In the day's two major pames.

In the day's two major games, apoleon McCallum capped a reord-setting career as Navy upset

COLLEGE FOOTBALL

my and Oklahoma, ranked secand in the wire service polls,

was been a meeting that will decide the ational championship when the tate in the Orange Bowl.

The 12th running back in the last

huck Long by 1,509 total points
1,464. Brigham Young quarterck Robbie Bosco was third, with

:::ichigan State soohomore run - '- : ick Lorenzo White fourth and

inny Testaverde fifth

for

3 years to take the Heisman, Jack-

in won by the closest vote ever, iging the Iowa quarterback

Jiami University quarterback

'8 times for 1,786 yards and 17

uchdowns this year, for his ca-er, he has 3,828 yards on 563 rries with 38 touchdowns.

Jackson answered some ques-

ms about his toughness on Nov.

when with two broken ribs, he

 ompiled by Our Staff From Disputches ZINCINNATI — Quarterback

East by a game over the New

ew England beat the Lions.

i two touchdowns.

The opening set lasted just 28 minutes as Navratilova moved quickly to the net at every opportunity and punished some loose shots from her opponent with crisp volleys (at one stage she recled off 12 straight points). Navratilova broke scree in the fourth, sixth and eighth games, dropping her own in the

owd of 9,600. This win was very strokes to good effect in some long rallies. The only break came in the fifth game, clinched by her two uisfying it gets tougher mentally rallies. The only break came fifth game, clinched by her Her \$100,000 first prize and a superb shots down the line.

Navratilova kept set points before winning. Then the took a 5-2 lead she held up a sense and called out, "Just one

"I could smell that finish line," she said. "I was just getting pumped up and it was getting bet-

Twinnedon, two French Open titles. The two U.S. Open titles. Evert, 30, from Ft. Landerdele, lorida, was also bidding for her ird Australian title. Instead, Navindova beat her for the 35th time to the two local titles. The two local titles are from the baseline and made nce the two first played in Akron, too many mistakes. "Even though I lost the second

and the most set she upset my set I felt in control," said Navrations, but in the handled the pressure much was for the No. I ranking. I was so was beaten by Navratiova at "I knew I had to keep coming in and putting the pressure on and I was a putting the pressure on and I was a putting the pressure on and I was a putting the pressure of the pressure of



Martina Navratilova: I got what I wanted.'

Navratilova said she empathized with Evert, who has worked hard this year. "I know how much it meant to her to win," she said. "I know how she feels. I've been

"I knew I had to keep coming in and putting the pressure on, and I think I can find it in me to go "I knew I had a better chance of breaking her serve than she did of breaking mine."

1 men sne added: "I don't want to sound presumptuous, but before the match I called a Czechoslovathing the ball really well all week, ing her serve than she did of breaking mine." Then she added: "I don't want to

Jackson Edges Out Long for Heisman;

George Weshington S3, Jocksonville 7 Holy Cross 114, Monholton 71 Mershell 64, West Virginio 80 New-Los Yegos 64, Meryland 63, OT New Hempshire 65, Horverd 62 Niction S8, Colgote 36 Northeastern S8, Cornell 51 Petin 69, Deloware 64 Princitien S9, Soviling Green 52 Providence 78, Rhode Island 71 SATURDAY'S RESULTS

SCOREBOARD

Selected U.S. College Scores

SOUTH Tr, Grambling St. 39 SOUTHWRST

McCallum Runs Navy's Upset of Army
Clark M. Amberst 58
Connecticat W. Boston U. 78
Discussive 64, 52, Francis, Pa. 47
George Moson 74, Buckmell 37 **National Basketball Association Standings**

FRIDAY'S RESULTS ott 9). Philipdelphia 51 Server 35 (Honzilk 9),

and 27 (Flemins 10). 30 31 23 25—107 32 30 34 25—115

pass for 10 yards and returned two kickoffs for a total of 49 yards. He Majone 14-22 5-6 37, Williams 10-16 6-7 24; Chambers 7-16 11-14 24, McDoniel 9-17 1-2 19. carried eight of the 10 plays as Navy drove for Todd Solomon's 22 (Rulend 9). Assists: Sectile 22 (Stirms 7), Washington

Lloyd, U.S., 692 44, 62

c. U.S. def. Chris Ever

Semilineis der, Sweden, def. Sinbadan Zivo-slavia, 7-5, 4-1, 4-3.

victory-ensuring 26-yard field goal with 1:15 to play. McCallum's six-yard run on the previous possession set up Chuck Smith's five-yard run up the middle that made it 14-7 with 8:26 left. Tennis Navy held Army's wishbone of-**Australian Open Results**

Patrick Collins scoring from the 11.

A penalty against SMU for roughing the punter kept the drive alive fease to 192 yards on the ground, about 160 yards below its average. The Cadets stalled in the second half behind backup quarterback Oklahoma (10-1) won its seventh Tory Crawford, a sophomore. Navy 17, Army 7: In Philadel-Crawford had replaced senior starter Rob Healy, whose left phia. McCallum — seventh in the Heisman voting — gained 217 yards and helped set up 10 fourthshoulder was separated before the first half ended at 7-7.

Tony Dorsett at Pittsburgh.
In addition to carrying the ball

41 times, McCallum caught one

Healy was hurt on fourth-and-one at Navy's two-yard line. He had driven the Cadets 70 yards, but won the 86th meeting between the on the crucial play, he faked to fullback Doug Black and was hit in the backfield by cornerback Steve McCallum increased his NCAA career all-purpose yardage record to 7,172, and set an NCAA record for all-purpose plays with 1,137, Brady.

teen-ager Stefan Edberg created

tennis history Sunday by defeating

Ivan Lendi, the world's top-ranked

tory for Monday when Edberg, 19,

the former Wimbledon junior

to become the third man to win

Opens, completed a rain-delayed 7-5. 6-1, 6-3 semifinal victory over

Edberg, the fifth seed here,

OCERTION SERROTHOS

Drexier 8-19-3-4 19; Bird 9-26-2-22, MicHole 712-5-7 19. Rehouse:: Portiend 57 (Bowle 13),
Bosten 62 (Sird 11), Assists: Portiend 57 (Bowle 13),
Bosten 62 (Sird 11), Assists: Portiend 57 (Bowle 13),
Milwesters 27 25 22 19-44
Wilkins 11-20-10-29, Rivers-1-18-2-41; Mono27 25 22 19-44
Wilkins 11-20-10-29, Rivers-1-18-2-41; Mono20 (Colorant-1-18-2-18-2-41; Mono21 21 27 35-21;
Gervin 10-221-221, Green 7-16-4-20; Robert20 (Robertson 71), Assists: Chicago 25 (Payson 5), Som Asiston Chicago 26 (Payson 5), Som Asiston Chicago 26 (Payson 5), Som Asis

4-14-713, Green 8-12-9-71, recovers 4-16-4-13, Green 8-12-9-71, recovers 10-16-15, Florentz 55 (Nonce 12), Assists: Ultula 19 (Stockton 5), Plocentz 22 (Dovis 17), Housels 25 (Dovis 17), Housels 25 20 32 38-129 LA, Lekers 24 33, Scott 17-19-2-25; Sompson 14-33-4-5-29, Roberts 51 (Obligan 14-34-5-5-29, Roberts 51 (Louse 9-14-34-5-19), LA, Lekers 49 (Louse, Green 9), Assists: Housels 14 (Obligan 36 (John-38 (John-38

14-23 4-5 32. Otoluwon 14-34-1-5-29. Alc.-Birmingham 71. Lehigh 61 ; Houston 48 (Otoluwon 13), L.A. Arkansos St. 64. Iswa 62 (Luczu, Green 9), Assists: Houston 60, Luczus 9), L.A. Lehars 28 (John-100, Luczus 9), L.A. Lehars 28 (John-SATURDAY'S RESULTS

Richardson 11-17 11-12 33, Williams 6-12 4-4 16, M. Johnson 8-18 0-1 16; Sowie 8-12 4-6 22, Person 8-17 4-6 22, Drester 4-18 5-5 17. Re-bounds; Portland 42 (Bowle 10), New Jersey 54 (Williams 17), Assists; Portland 21

(Booley 14).

Seides State 29 22 34 22—119
Dellos 29 29 33 29—129
Acultre 5-13.4-4 29. Dovis 7-11 5-4 19; Correll
72-20 5-6 29; Floyd 11-19 7-4 29; Short 6-16 5-6 29.
Rebeards: Golden State 49 (Smith 10), Dellos
40 (Perkhts, Vincent 7). Assists: Golden State
27 (Floyd 11), Dellos 29 (Horner 6).
Chicono 21 34 34 19—344

Houston
Olojuwon 1423 5-7 33, Sompson 5-14 4-6 20;
Woolridge 12-15 1-1 25, Dolley 4-13 16-12 18.
Rahounds: Chicano 28 (Green 6), Houston 51.
[Diajuwon 15), Assista: Chicano 29 (Woolridge 9), Houston 37 (Lucas 16). LA. CRIPPOTS

idhers, Sweden, del. Ivon Lendi, rokio, 6-7, 7-5, 6-1, 4-6, 9-7. LA. Clappers

27 39 27 18— 1

Dontify 16-247-929. Hoosen 9-129-9 16: John
son 7-19-3-6 17, White 6-13-4-1 6. Reheund
Utah 54 (Eather 18): L.A. Clappers 37 (Cope 18
Assists: Utah 49 (Stocklen 14), L.A. Clippes
-23 (Nitron 4).

Basketball

champion, will play Mats Wi-lander. Wilander, 21, who is trying manship, still was in a sour mood

5, 6-1, 6-3 semifinal victory over a major championship. I put it in the second class with the Masters,

three consecutive Australian ference afterward.

Florido St. 91. W. Caroline B3 Georgia Tech III, Georgia 45 Konstos 71, N. Caroline 35, 54 Kentucity 42, Indiana 35 Louisville 77, Purdue 35 Vussissippi 76, Alcorn St. 70 Horth Carolina 114, Ruthers 71 Tennessee III, Tessas ASAM 70 Venderbill 45, Baylar 61 Virelnio Tech 78, Vo. Cananom MIDWIST

Droke 77, lowe 5t. 69 Idlinois 115, Utch St. 64

Richmond 75, St. Mary's, Colli, 43 Championship: Richmond 57, Stor

Transition

COLLEGE ALABAMA—Extended the contract of Ray Perkins, faciliation cooks, for three years, through the 1970 season, LOUISIANA STATE—Gave tectical cooch

European Soccer WEST GERMAN FIRST DIVISION Bochum 2, Nurembers 1 Freskfurt 2, Cologne 2 Kologne 2 Printer 2 Compan 2 Kolserslautern 1, Homburg 2 Werder Bremen 3, Schollee 1 Borussia Münchenglodbach 1, Stutt

Borussia Münchensfolitich 1. Stuftge Boyers Munich 5. Boyer Uersingen 1 Borussia Darimund 3. Sourbruechen 1 Manheim 2. Fortuna Dussestarf 1 Peletts: Werder Bremen 27; Boyers M 24; Borussia Münchensfolitich, Hembu Boyer Leveriauser 22; Woldhof Mannhel Bochuta 19; Stuttsorf 18; Colopes 17; 8 ala Dorimund, Boyer Uerdingen, Keises sie Dortmund, Bayer Verdingen, K tern 16; Fronkfurt 15; Schalke, Ha

Duesseldorf 9.
ENGLISH FIRST DIVISION
* Chelsee 1 Coventry 1, Chelses 1
Lafosster 1, Manchester City 1
Liverpool 2. Auton Vallo 0
Lutan 2, Newcastle 0
Manchester United 1, Ipswich 0
Gueens Park Rangers 9, West Ham 1
Sheffield Wednesdoy 2, Nottingtom Followtheren 3, Arrand 0 Southempton 2. Arsendi Tottenhom 5. Oxford 1

Tuttenham S. Oxford 1
West Bromwich B, Everten 3
Briminghom 1, Warford 2
Paints: Monchester United 46; Liversool
44; West Hom 41; Chelsen, Sheffield Wednesdey 38; Everten 37; Lurion 33; Arsenal 32;
Nevcosite 29; Tottsnham 29; Notitiosham
Forest, Queans Park Rompers 27; Watford 36;
Coventry, Southempton 2c; Auton Villa, Monchester City, Lefoester, Oxford 19; Birminghom 17; Frankch 12; West Bromwich 7;
FREMICH FIRST DIVISION
Brest 1, Aszerte 3
Lyns 2, Marsellie 1

Brest 1, Augerte 3
Lens 2, Mersellie 1
Namery 1, Bardeaux 7
Northes 1, Metz 0
Nice 8, Le Hovre 3
Ports-3t, Germein 5, Lovel 1
Rannes 2, Toulouse 1
Toulon 1, Bestia 1
Sochoux 3 Lille 1
Strambeury 1 Mondon 1
SPANISH FIRST DIVISION
Read Modelid 4, Cetty Vice 8

SPANISH FIRST DN
Raci Modrid 4. Celtu Vigo 8
Athletic Bilton 3, Sontander I
Valladelid 8. Section Gljon 1
Real Modrid 4. Celta 8
volladelid 6. Gilon 1
Codiz 3. Real Sociedad 9
Barcalona 1, Betis 2
Hercules 3, Volancia 2
Sevilla 1, Espoio 1
Athletic de Bilton 3, Sontanta

Hockey

Stefan Edberg 'If I play like I did today. . . .

NHL Standings WALES CONFERENCE neshin: St. John's BS. Fleigh Dick. 56 lace: Columbia 81, Holstra 40

FRIDAY'S RESULTS

Texcos-Ei Pose 98, Texcos Southern 54
Pon American 67, Houston Bophist 51
Championship: Texcos-Ei Pose 64, Post Am. 50
Third Piece: Hou. Beofist 69, Texas So. 69
UTC Cece-Color Classic

m # E. Teope

World Cup Skiing

OVERALL STANDINGS

GIANT SLALOM (At Septriers, Hoty)

1. Marina Kishi, West Germany, 1 minute,

2. Eriko Hess, Switzerland, 4523-4439-

1:30.91.
1:30.91.
7. Vireni Schneider, Suffizerland, 44.1745.90-1:31.25.
8. Pertine Pelen, France, 45.84-45.401:51.44.
9. Montha Hess, Suffizerland, 44.17-45.44No. 17. Array 7
Illinoic 34. Gethysburg 9

OVERALL STANDINGS 1. Marino Kiehl, West Germany, and Ros-witha Steiner, Acatria, 25 points. 3. Erika Hess, Switzerland, and Eva Twor-

Quebec 3 1
P.Stostny 2 (13), Anderson (8), Pol (4), Goulet (15), Ashten Son (3), Polement (4), Goulet (15), Ashten (6), Price (2); D.Sut-ter (7), Petvin (6), Bosay (17), Shott ea geol; N.Y. Islanders (an Gesselin) 9-4-24; Que-bec (an Smith, Hrudey) 13-147-34.

Beffele 8 9 1—1
Errey 2 (7), Lemieux (16); Dybatra (1).
Shebs en seel; Pithiburgh (en Borrasso) 8-13-9—30; Butfele (en Ramano, Meloche) 11-4-12-1.
Chicage 2 6 8—2
Chicage 2 (1), Pepilmski (8), Sute (4), Loob 7; Lormer (7), Secord (10), Stebs en seel; Chicage (en D'Amour) 9-5-12—26; Celigary (en Sauve) 9-17-10—34.

SATURDAY'S RESULTS

Quebac 2 1 1—4
RLY, Islanders 1 6 8—1
Goulet 2 (17), Ashton (7), P.Steathy (14);
Patrin (7), Shets et eeel: Quebac (on Hrudey)
20-14-14—48; New York (on Molorchuk) 7-10-

Pittsburgh 8 1 8—1
Broken (B), Anderson (2), Adorma (B),
McNobb 2 (18); Simpson (2), Sakis on gool:
New Jersey (on Meloche) 13-12-5—30; Pittsburgh (on Resch) 7-8-10—05.
Beston 1 2 8—2
Hertford 3 3 3—7
Turgeon 2 (14), Francis (12), Dinsen (18),
Molons (E), Quenneville (3), Lowieza (5);
Relid (6), Bourque (4), Shots on good! Boston
(on List) 8-8-5—21; Hartford (on Keons) 18-8-6—24.

Torusto 1 1 1--3 Smith 2 (7), Nasiund (19), Chellas (4), Debiois (3), Trembley (6); Thomas (6), Hodgaon (6), Stastny (18). Skots on goal; Montreal (on

Minososte 2 1 1-4 Edipsostos 2 4 2-8 Grabby (19), Krushelmyski (6), Kurri 3 (17), Anderson 2 (20), Nopier (10): Blusstod 2 (11), McKeaney (12), Plati (3), Shets so soil: Min-nesots (on Futer, Moogi 14-7-30; Edimenton

supre, Casey) 9-12-12-21. **Football**

1 - 12

SOUTH Furman 39, Rhade Island 15 Georgia Southern 28, Middle Tenn. 21 Louisiana State 35, E. Caroling 15

Missies : North Dakoto St. 16, South Da 17 Lawn 17. E. Washington 14 Brigham Young 24. Ha

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With their fifth consecutive bome victory, the Patriots improved their record to 10-4 and kept a share of the AFC East lead. Failing to get a touchdown for the formit touchdown in leading the Cardinals past New Orleans. Running back Mitchell, starting a fifth straight game in place of injured Out 28 carries. omer Esiason threw three touch-WI passes as the Cincinnati Bens staggered Dallas with 22 firstinter points and rolled to a 50-24 tional Football League victory e Sunday. The Bengals trapped quarterk Danny White for a safety on City, Missouri, Todd Blackledge fourth time this season, Detroit (7passed for 219 yards and the high three touchdowns to pace the 7) lost its seventh consecutive road game's third play and then cked the Cowboys with three Chiefs' pasting of Atlanta. Black-Jets 27, Buffalo 7: In Orchard ledge completed his first seven chdowns less than nine minutes Park, New York, Ken O'Brien passes for 190 yards, including a 70-yard scoring hookup with Ste-...) the game. It was the most firstthrew three TD passes in leading inter points ever given up by a wboy team, and the 50-point tothe New York Jets past Buffalo. O'Brien, who completed 25 of 40 phone Paige. passes for 370 yards, threw scoring was the highest against Dallas Redskins 17, Eagles 12: In Philadelphia, George Rogers gained 150 yards on 36 carries and scored a · ≈ a 54-13 shredding by Minnepasses of 20 and 2 yards to Mickey ı in 1970. Shuler and hooked up on a 96-yard he 9-5 Cowboys came into the touchdown as Washington beat the re leading the National Confer-Eagles and kept alive its mathemat-

k Giants. The Bengals stay in tention in the American Connce Central with a 7-7 record. siason threw scoring passes of 29 and 58 yards, respectively, to he Brown, Steve Kreider and Cris Collinsworth; the Bengals by 50-10 before Dallas, which mitted four turnovers, closed etricts 23, Lions 6: In Foxboro, an 8-0 regular-season home record, the franchise's first undefeated - sachusetts, Tony Eason threw

Bengals Crush Cowboys, 50-24

Jackson, a 6-foot-1 (1.8-meter), Despite an elbow in the chest from Matt Buckner, Navy end

on 31 carries before Auburn's last- breaking the record of 1,120 set by

2-pound (100-kilogram) senior Troy Saunders held on to this pass for a first-period score.

second loss to Alabama.

Oklahoma 35, SMU 13: In Norman, Oklahoma, the Sooners tal-

lied 21 points in the second quarter

to erase a 7-0 deficit. Their tail-

back, Spencer Tillman, scored from

tying the score, and 16 seconds later freshman quarterback Jamelle Holieway scored on a 38-yard run

On their next possession, the Sooners went 68 yards in 12 plays,

after it had stalled at midfield.

quarter points as the Midshipmen

after SMU fumbled.

two service academ

shed for 142 yards and two TDs a yard out at 14:52 of the period,

touchdown play with Wesley Wal-ker, the longest pass completion in

touchdown late in the third quarter run midway through the fourth

me tonehdown and ran for anmark at home since 1956. I and Craig James became the Cardinals 28, Samts 16: In St. player to rush for more than yards against Detroit this year

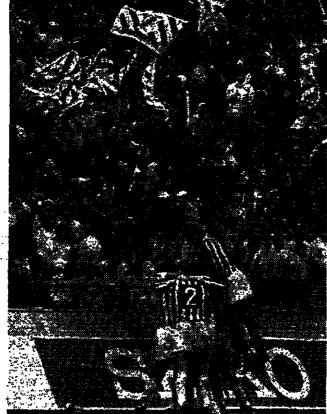
Jet history.

Bears 17, Colts 10: In Chicago, Walter Payton, rushing for more than 100 yards for the ninth straight week, went 16 yards for a to snap a 3-3 tie and spark the singoish Bears past Indianapolis. Calvin Thomas added a 3-yard TD quarter to help Chicago finish with

a 5-yard Neil Lomax pass for a third touchdown in leading the

ical chance for a fourth consecutive NFL playoff spot. Dolphius 34, Packers 24: In Green Bay, Wisconsin, Dan Marino passed for 345 yards and five TDs - two in the fourth quarter as Miami held off the Packers. Marino hit tight end Joe Rose from two yards out with 3:18 to

play, and Dan Johnson on a 61yard score with 2:10 left. Miami led at the half by 20-3, but Jim Zorn threw third-quarter



TD passes to Preston Dennard and Juventus of Italy celebrated Sunday's victory in Tokyo over James; Eddie Lee Ivery scored with Argentinos Juniors for the unofficial world club soccer 8:32 to play and Al Del Greco's' championship. Juventus won, 4-2, on penalty kicks after the kick gave Green Bay a 24-20 lead.

The sum of Italy celebrated Sunday's victory in Tokyo over Inter Miles 1, Aveilino 1, Torino 3 Leco 1, Como 4

Name I. Plan 6

Name I. Plan 6 TD passes to Preston Dennard and Juventus of Italy celebrated Sunday's victory in Tokyo over Louis, Samp Mitchell scored on 8:32 to play and Al Del Greco's championship. Juventus won, 4-2, on penalty kicks after the runs of 5 and 16 yards and pulled in kick gave Green Bay a 24-20 lead. teams had played through a 30-minute overtime to a 2-2 tie.

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John Updike: Cosmic Thoughts and Rabbit Sequels

By Mervyn Rothstein New York Times Service

N EW YORK — John Updike is feeling Na little funny sitting at what used to be Alfred A. Knopf's desk in what remains of the late publisher's office — a once large room that has been turned into a number of much smaller ones. "It was a funny sensation," Updike says. "A little like Proust I was brought down this set of corridors which I know fairly well. I step in here and it isn't Alfred's office. But the desk is here. The desk has survived."

Updike is reminded of a poem, "The Furniture," in his recent collection, "Facing Nature." The poem begins "To things we are ghosts."

"I went to see an exhibit of photographs at the Fine Arts Museum in Boston," he says. "Given the choice of going for a wall of photographs or a wall of paintings and I love paintings — I will go right for the photographs: The fact that there once was just this somewhere — old photo-graphs, especially scenes of New York, old trolley cars, straw hats. There's this abyss

of time that is behind us and under us.
"One of the photos showed an Egyptian monument that I've seen that hasn't changed a lot in 3,000 years. The sand has gone up and down a little but this thing has lasted and lasted and lasted. And against it in the picture somebody had moved and made a little blur, this camel driver, or whatever he was. And we are sort of like that, we are blurs on the face of things" "his life a blur." Updike wrote in the poem, "a dark smear on the unchanging stone" -"and even things of no great intrinsic merit, like that chair in the corner of this room, have a very good chance of outlasting you and me. It doesn't seem right, does it?

"In my mother's attic in Pennsylvania," he says, "are comic books I collected in the '40s. Walt Disney comic books. I was an only child and I was a cherished child of parents who didn't move much, and I have the advantage of having many of my child-hood things still there. Toys I played with are still there — a little funny tin Phuto dog that used to turn on the table in a way I can remember. It's in a bushel basket, and when you wind it up it still runs. Isn't that marvelous that this is a virtually archaeological thing out of the deep loam of my remote past, and yet it doesn't think much time has passed at all. There's a little rust, but it still runs. Objects to me seem kind of enduring, so impressively permanent. Books. Look at the way books last. They may get a little yellow, but they're still

Updike is much better known for his fiction, but he has published a number of

In New York for the day after reading his poetry the previous evening at a univer-



Updike's version.

sity in New Jersey, he seems to have cosmic thoughts on his mind, "One of the things that is there for fiction writers or writers of any sort to do is to try to incorporate into our imagery and version of the truth what science has been telling us for

the past 100 years," he says.
"After all, a whole alternative view that was unavailable to the humanists of the Renaissance has built up. There's all this weird information about the world we live in, both at the biological and atomic level, and most novelists, and poets, ignore it. They don't know it, they don't want to

Updike's new novel, which will come out next summer, is an attempt to bring some of the science into fiction, he says.

The title of it is 'Roger's Version.' It's a mouthful, but it's the best title we can think of. It's a cousin in a sense to my 'A Month of Sundays,' which was Dimmesdale's version of 'The Scarlet Letter' told in modern dress. This is Roger's version, Roger Chillingworth's, Hester Prynne's husband's, of an instance of adultery. In my novel, Roger Lambert is a divinity school professor, and he's approached by a young man from the science end of the university who has a lot of scientific facts about how unlikely our present universe is given the kinds of uni-

verses we might have.
"There is a so-called anthropic principle now, that the universe had to be the way it is for intelligent life to emerge. The weak anthropic principle, as I understand it, merely says that since we're here observing it this universe had to be such and so; written three novels about him so far, one

there's no miracle implied, no divine hand necessary, but a great deal about the universe can be deduced from the fact that intelligent life has had the time to evolve. The strong principle would be that God made this world just this way so we could arrive in it. Anyway, this scientist is also a Jesus freak. He annoys the divinity professor so much and fascinates him on the other hand, and they have a number of long discussions full of science and statistics that may daunt a lot of readers. The challenge to me was to work up enough computer knowledge to give the young man some kind of credibility. He wants to use the computer to prove God's exis-

His fiction, Updike says, contains his darker side — a side he does not think comes through in his poetry. "My sense of futility and of doom and of darkness is one - that is, of death being behind everything in life, a sort of black backdrop, and if you look the right way you can see death right through the ribs, as it were," he

"But beyond the death, there's the viciousness — my father was among the gentlest of men, and he was always talking about how it's a dog-eat-dog world, and it's kill or be killed. He was born in 1900, and so a lot of the so-called welfare state wasn't in place for him. He really did see the possibility of dropping out of the economy entirely and becoming a burn, starving. We lived not far from the poorhouse, and it was very much in our mind.

"So in a way we're all killers — that is, we are all fighting for food and fame, whatever the good thing is. And there's a lot of killing in our minds, though some-what less in our real lives. Most of us, after all, are not marderers in that we pull a trigger, but most of us are murderers in that we often wish somebody were dead. "In 'Rabbit, Run,' the epigraph is from Pascal — 'the hardness of the heart.' So I

guess a lot of my books are about hardness of heart. 'Rabbit, Run' was distressing to readers — it still is — because of Rabbit's hardness of heart. But I meant to say, 'We're all hard of beart like this; don't get mad at him.' We all can take only so much pity and sympathy into our lives before our own survival. So this thing about how brutish even civilized life is is one of the things I say in my novels."

Of all his novels, he says, he still thinks of "The Centaur" as his favorite. "In some ways it embodies my adolescence," he says, "and it's a portrait of my father, and I loved my father, and really could say it only in that book - I don't think I ever

said it to him." Perhaps Updike's most famous characroughly every 10 years — "Rabbit, Run,"
"Rabbit Redux" and the Pulitzer Prize

winning "Rabbit Is Rich." And he says he is planning to bring Rabbit back again.
"I have contracted with myself to write at least one more book about Rabbit Angstrom," he says. "I was going to finish it up, but maybe there's something kind of openended about him. You can't finish him up. I feel at home writing those books. Returning to it every 10 years, when the decade winds down, I found it's still a comfortable thing. The books are not loved by everybody and may be deeply flawed, and there may be limits to my empathy with a man like this, but the Pennsylvania setting helps make me feel like I'm full of material in

some odd way.
"I haven't lived in Pennsylvania in many years and when I did live there as a youth there was a lot I didn't know about what was going on around me," he says. "I was a schoolteacher's son and had a fairly limited view of the world. But in all of our childhoods we are open to experience in a way we cease to be. The older we get the more we can control our environment, and also I think the less vulnerable we become to it whereas a kid is pretty open to whatever shocks and thrills the environment provides. So all of us writers, whether it's Roth's Newark or Bellow's Chicago, or whatever, it's where your somehow feel warmest and seem to have the most to say."

Updike, 53, has lived in Massachus since 1957. He has been a successful writer for more than 30 years, and says he still finds fresh challenges, as well as fresh

"I had both the happiness and possible misfortune of very early getting into print," he says. "And having been a writer now since my early 20s, there is a danger of getting written out and even becoming stale. There is some advantage to doing like Conrad — having a lot of life and then sitting down at 40 to write. You certainly won't run out of material that way, because

life isn't long enough to write it all out."
Writing fiction, he says, is "a little like handwriting. It comes out to be you no matter what you do. That is, it's recogniz-ably Updike. But you have to feel that you're going off in a fresh direction. You have to be in some way excited, and in a way frightened —can you do this? Without that can-you-do-it? feeling, you can't do it.

You're going to produce something that you've already done.
"It doesn't get easier, this setting out again. You use up those first 20 years of your life one way or another, and the material you collect in adulthood doesn't have that. It's not that magical. You have to give it magic. You have to substitute wisdom and experience for passion and

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LANGUAGE

Go Easy on the 'Fingerspitzengefühl'

By William Safire

WASHINGTON — You cannot write about world affairs without a Weltanschauang; you cannot practice literary criticism without as understanding of Zeitgeist, you cannot nibble your nails properly without Angst, and you cannot report on a single and properly without Angst, and you cannot report on a single and one one meeting, but resist hyphenation turnoil anywhere without Sturm and Drang.

Let us suppose you already have a world view (Weltanschauung), dig the spirit of the age (Zeitgeist), are suffering anguish to the point of depression (Angat), and can thus clearsightedly observe the storm and stress of a thundering confusion (Sturm und Drang). What is it that you need?

You need Zugzwang. I used this word in a column about the recent worldchampionship chess match, defining it as "forced to move but doomed by moving." Then a reader wrote to say, "Safire doesn't seem to understand the concept of

For guidance in chess (and, en passant, the words used in its play), I am a pawn in the hand of Arthur Bisguier, grand master and technical adviser to Chess Life magazine. I turned to him: Have I embarrassed

myself with my Zugzwang gambit?

"You have used a word," replied the grandmaster, "for a position in which each player would obtain a worse result if it were his turn to move than if it were not. It occurs only in end-game situations or in composed problems. It might be a whoever-moves-loses situation. Briefly stated, the onus of moving causes a worse result than would otherwise occur."

How might Zugzwang be used in a non-chess situa-tion, or what Gary Kasparov might call real life?

"When standing in a traffic island, with cars going in both directions, one is most assuredly in

Zugzwang."
I was right. The slogan of people in Zugzwang is Don't just do something stand there." The noun Zugzwang cannot be translated into a single English word; in this characteristic, it is similar to Gemittich. keit (which means more than "camaraderie") and Schadenfreude (the guiltily pleasurable thrill some people get when a friend is in trouble).

Plop a little dumpling of a German word into your language soup for flavor or even for affectation's sake. But choose with care; for this sort of thing, you have to have what Hildegarde Merrill Mahoney, rubbing the sensitive tip of her thumb against her other fingertips, calls Fingerspitzengefühl.

I HERE sat Ronald Reagan and Mikhail Gorbachev in front of the fireplace, alone except for interpreters. "The summit's greatest surprise," wrote a Sunday Observer team, "was the five hours the two leaders spent tête-a-tête (or, as the Americans insist on

calling it, 'one on one')." Americans insist on calling it that because one on one is a phrase denoting competitive intimacy. Tête-a-tête, or head-to-head, in its English translation, connotes closeness without tension; you have a little tête-a-tête talk at some sechided rendezvous when you want to conspire to defect. In the same way, the Geneva phrase unter vier Augen, "under four eyes" (that's two persons' eyes, not one guy with glasses), implies conspiracy or at least complicity. One on one, however, means "matched for competition," closer to

one against another than one with another. The preposition on in this case conveys the meaning of the cover," as one player "covers," the moves of an opposi

ing player, which is more accurate than one to one, or one facing one. I hyphenate the phrase when using it as an adjective.

when using it adverbially, as in they met one on one.

You think it's from football, don't you, as the opposite of zone defense? "Wrong!" cry basketball fans, who were using it years before. Hah! Both are mistaken: The first use cited in the Oxford English Dictionary Supplement is from the Feb. 20, 1967, issue of Technology Week, describing, of all things, defenses against missiles long before "Star Wars": "In the one-on-one, relatively 'simple' intercepts run dur-ing the 1962-63 test series, the 'old' Nike-Zeus scored on 10 of 14 attempted live ICBM intercepts." Notuntil the early 1970s did one on one become sport; lingo. (This certitude would be shattered if some researcher, going one-on-one with the world of lexicography, came up with an earlier printed or recorded usage in a sports context.)

HE long 'one on one' talks," wrote Richard Beeston in The Telegraph, another British newspaper that revels in discovering Americanisms, "must have been agonizing for such Pentagon hawks as Mr. Wein-berger's deputy, Richard Perle, whose nightmare is that Mr. Reagan, if left on his own, might 'give away the store."

To give away the store was indeed the cliche most used by hard-liners at Geneva. I recall Richard M. Nixon's using the phrase "to give up the store" frequently during his administration. The earliest use I can find in my computer's databank is this quotation of a TRW official in Business Week, May 31, 1976, in a corporate, but not exclusively retailing, context; I We want controlled expansion only --- we won't ene away the store to build volume." I suspect a much earlier retailing use based on the overuse of "loss leaders." The phrase appears in this metaphoric formas Representative Samuel S. Stratton of New York, a hawk, rose on the floor of the House on Feb. 2, 1977, to wonder if Paul C. Warnke, the Carter administration's arms negotiator, "would be likely to give away. the store in a mistaken mood of guilt and good will.

At the Geneva meeting of the superpower leaders, Robert C. McFarlane, then still the national security adviser - who used fora as the plural of forum, which is not incorrect but is not preferred even by those of us who use the classical plural of memorandum and referendum — suddenly shifted to colorful slang in describing a struggle: "They'll just have to duke it

To duke it out is, I think, a modern marriage of put up your duker with fight it out. One version of the origin of duke meaning "hand," or specifically "fist." is in Cockney rhyming slang: fingers were referred to as "forks," and the slang rhyme to conceal the word was Duke of Yorks; hence, the hands became duker. Thus, as the British press was picking up on the Americanisms one on one and give away the store, the

resident's adviser was piercing the summit air with

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